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THE ROLE OF THE PRIVATE SECTOR IN DEVELOPMENT COOPERATION:

THREE CASE STUDIES IN SOUTH AFRICA

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The Role of the Private Sector in Development Cooperation: Three Case Studies in South Africa

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Research commissioned in the context of the Policy Research Centre on Foreign Affairs, International Entrepreneurship and Development Cooperation for the Flemish Government

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Preface

The study reported on in this publication is conducted in the framework of the Flemish Policy Research Centre on Foreign Affairs, International Entrepreneurship and Development Cooperation. The centre's research is structured in four thematic pillars: (i) International and European Law; (ii) International and European Policy; (iii) International Entrepreneurship; and (iv) Development Cooperation. As part of the fourth pillar, which is coordinated by the Research Institute on Work and Society (HIVA), a medium term research project on the role of the private sector is ongoing. This report presents the results of the second research phase.

Contents

List of abbreviations

B2B	Business-to-Business
BBBEE	Broad based black economic empowerment
BDS	business development service
CSI	Corporate social investment
DESTEA	Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs
DKK	Danish Krone
EDTEA	Kwazulu-Natal Department of Economic Development, Tourism and Environmental Affairs
ILO	International labour organization
MSME	Micro, small- and medium sized enterprise
NGDOs	non-governmental development organisations
NPO	Non-profit Organisation
R	(South African) Rand
SED	Socio-Economic Development
SEDF	Sustainable enterprise development facility
SME	Small- and medium sized enterprise

1 | Introduction

The private sector is assigned growing importance as an actor in development. This is an uncontested observation yet a contested trend. Development actors - including the private sector itself - are experimenting with building bridges between business and global development. At the same time a debate on how to ensure the compatibility of a business rationale with development objectives is still ongoing. This straddle also marks the current policy and practice of development cooperation. Multilateral and bilateral development agencies, non-governmental development organisations (NGDOs), and corporations are busy cutting out an active role for business in development cooperation. At the same time questions on the legitimacy, efficiency and effectiveness of the private sector as a development actor remain unsettled. In the plethora of existing and emerging strategies and modalities that involve the private sector, and the questions and critiques surrounding these policies and practices, one easily fails to see the wood for the trees.

Research scope

With due reason the Flemish policy research centre's fourth pillar on development cooperation puts forward as a central research question: **What are the most important developments, modalities and good practices regarding the role and involvement of the private sector in addressing global development problems?**

The first phase of the research focused on 2 sub-questions: 1) What views exist on the role of private sector in development and development cooperation, and how has this evolved over time? 2) What main strategies are bilateral donors deploying in their interaction with the private sector? What general lessons can be learned so far, especially where private sector engages in 'development' in a way that goes beyond its mainstream business activity? The research report discussed how private sector has always played a part in development cooperation, but how current private sector is being perceived and approached as a development actor in its own right that can and should contribute actively to addressing development challenges. The report identified the diverse roles private sector can play in development cooperation. It also summarized and illustrated some differences in donor policies regarding the private sector's role in development cooperation, and briefly explored what instruments aimed at implementing these policies are in use. Finally, a look into the Flemish development policy and current practice showed the absence of clear policy on whether and how to engage with the private sector, whereas Flanders in its cooperation with South Africa in fact already explores interaction with the private sector in many different roles.

The second phase of this research picks up where the first left of: with the observation that in the case of Flanders in South Africa, but actually also of many other donors, the current interactions with private sector happen at least partially in a policy vacuum, with no clear principles and operational guidelines on cooperation with the private sector, and through the use of a variety of instruments. Digging into three cases of specific instruments, policy guidelines or projects, the study aims to gain insight in what works for whom in a specific context and investigate this from a small donor perspective. This can be seen as a first step to tap into the experiences and insights available 'in the field' in South Africa and to extract insights that can feed further policy development processes.

Methodology & outline

Methodologically, the study took a case study approach, assuming that an up-close and in-depth investigation of a specific case in its specific context could deliver insights into what possible approaches to engaging with the private sector exist and what inherent as well as contextual factors determine success or failure. We opted for a holistic multi-case design, with three cases each addressing a different type of challenge and involving a different set of actors.
The case study was grounded in evidence collected through different sources: direct observations, semi-structured in-depth interviews with key experts, document analysis, participant-observation and literature review. Part of the data collection happened during field work in South Africa in March 2015. Data collected in the first research stage, including the exploratory field work in June 2014 and interviews throughout the second half of 2014, was also taken into account. One important lacuna is that the data collection did not target private sector representatives. The research takes the perspective of development agencies, although it also considers the role of the private sector in development beyond any facilitation by or interaction with official development cooperation.

This report starts with a brief restatement of the key concepts and the private sector role typology developed in the first research phase (chapter 2), and used both as a stepping stone for the analysis of the cases. At the core of the report is the discussion of three case studies and the search for interesting insights and lessons that can be distilled from each individual case (chapters 3, 4, 5). The final chapter explores whether the whole is more than the constituting parts and attempts to uncover interesting avenues for the Flemish development cooperation as well as what would be needed to do so.

2 | Toolkit for case analysis

2.1 Roles for private sector in development cooperation

Current official development policies at all levels show a clear tendency to emphasize the role of the private sector as a key actor in development and, increasingly so, in development cooperation. However, observers point out that the 'private turn' in development cooperation may not be as novel as the buzz around it seems to insinuate. In many ways it is in line with dominant development theory, and a continuation of the (cyclical) negotiation of the triangular relationship between state, private sector and citizens (Berthoud 2010; Nederveen Pieterse 2010; Kindornay and Reilly-King 2013; Eurodad and CRBM 2011).

Mini-lexicon

The private sector

- consists of organisations that have a core strategy and mission to engage in profit-seeking activities through the production of goods, provisions of services and/or commercialization.

Private sector in development
- refers to private sector activities that are part of regular core business operations and that affect development outcomes, both positively and negatively.

Private sector development
- groups all activities carried out by governments and development organisations with the aim of developing a vibrant private sector (mostly in developing countries).

Private sector for development
- covers activities aimed at involving or engaging the private sector in development in ways that go beyond their regular business practices. This report places **private sector engagement, private sector involvement and private sector partnerships** within this category.

However, some observers also point out that the current 'private turn' might be more than just the pendulum swerving once more (van Tulder and Fortanier 2009; Eurodad and CRBM 2011; Byiers and Rosengren 2012). One new feature would be the tendency of attributing enterprises an active role, and therefor responsibility, as key actors in development.

To differentiate between the 'old' and the 'new' role of private sector in development, the terms private sector development (PSD) and private sector for development (PS4D) or private sector engagement are often used. 'Private sector in development' generally refers to private sector activities that are part of regular core business operations and that affect development outcomes and economic growth through positive impact such as job creation, provision of goods and services and taxation, and negative impact such as environmental degradation and poor labour practices (Di Bella et al. 2013). Governments and development organisations carry out activities aimed at developing a vibrant private sector (mostly in developing countries). These activities are grouped under the umbrella 'private sector development' (PSD).

One can differentiate between regular business activities, their positive and negative development impact and the PSD agenda promoting this on the one hand and business activities with an explicit development dimension on the other hand. This is coined 'private sector for development' (PS4D) or 'private sector engagement'. PS4D covers initiatives or activities that involve or engage the private sector in development in ways that go beyond their regular business practices. It is about finding ways to mobilize businesses' resources – e.g. their expertise, networks, data, and financial, technical and innovation capacity – in the pursuit of development goals (Byiers n.d.; Byiers and Rosengren 2012; Di Bella et al. 2013).

The table below summarizes the different roles private sector can play in development cooperation. This typology was compiled in the explorative study preceding this one (Vaes and Huyse 2015). A first set of two roles points out that the private sector can be a *resource provider* in development activities, by contributing in a material (finance, in-kind) or non-material (expertise, network, data) way. Next, the typology identifies four ways in which the private sector can be a *beneficiary* in development activities. It can benefit from the donor efforts to improve the business climate, from capacity building, knowledge sharing, information provision or networking initiatives, from financial support by other development actors and from implementation contracts for specific development activities. Also, private sector can be the *target* of actors who want to influence business practices to become less harmful or more development oriented. Government can hope to influence through regulation whereas NGOs can use public campaigns or other lobby and advocacy tools. Private sector actors can engage in *reforming or reinventing* the way they do business. The typology distinguishes between reformers, who adapt their business practices to align it more with development goals (e.g. CSR, making product chain more inclusive), and developers/implementers who invent entirely new business models (e.g. social enterprises, hybrid business models) and/or implement them. Finally private sector can also be an active *participant* in different policy processes, such as consultation, policy dialogues, or multi-stakeholder initiatives. This can take place at different levels, from the local to the global.

Table 2.1 Roles of private sector in development cooperation

	Role of the private sector actor	Examples (not exhaustive)
1	**Resource provider - finance** **Private sector invests financial resources.**	• Corporate philanthropy, e.g. Bill & Melinda Gates Foundation, Philips Foundation, local companies sponsoring start-up competition. • Businesses investing in/managing investment funds with development objective. • Impact investing
2	**Resource provider - expertise and other strategic resources** **Private sector invests its expertise, network, data, research capacity, etc. in activities with particular development relevance undertaken by or in partnership with other companies, government agencies, or NGOs.**	• Established SMEs coach start-up SMEs • Established entrepreneurs/managers share expertise with peers • Bottom of the pyramid product development • Frugal innovation technologies • Allow consumer data or network to be used in development initiatives.

3	**Beneficiary - enabling environment** The private sector is the beneficiary of efforts to create an enabling business environment.	• Improving the business climate to stimulate business and investment. • Removing red tape obstructing SME development. • Infrastructure development needed for take-off of growth sectors.
4	**Beneficiary - capacity development, information provision & knowledge sharing** The private sector is the beneficiary of capacity development, information provision and/or knowledge sharing initiatives that aim to increase private capacity to contribute to developmental goals.	• Capacity development of Business Development Services (e.g. chambers of commerce). • Building business capacity on development challenges and possibilities to address them. • Donor agencies/embassies investing in information provision on business opportunities in developing countries.
5	**Beneficiary - financial support** The private sector is the beneficiary of financial support that aims to catalyse private sector activity or investment with particular development impact.	• Donor capitalization of Development Finance Institutions (DFIs). • DFIs supporting SMEs with activities in developing countries. • Challenge fund to support innovation or job creation. • Donors providing credit guarantees to catalyse high risk private investments with potential development benefits.
6	**Beneficiary – of contracts for implementing aid projects & programmes** The private sector is involved in the execution of development activities, in the role of subcontractor.	• Participation of consultancy groups & companies in development cooperation tenders (e.g. in social sectors such as education & health). • Tied aid
7	**Target – of regulation, lobby or advocacy** The private sector is pushed by global governance institutions, governments or civil society organisations to change business practices.	• Public campaign by international NGO condemning business practices of a multinational • Government using regulation to foster responsible fiscal business practices
8	**Reformer – adapting existing business models through Corporate Social Responsibility, Corporate Social Accountability or Stakeholder Value Maximization** The private sector adapts its own business model to increase its positive development impact and sustainability.	• Make product value chain more sustainable & inclusive. • Offering product transparency. • Invest in third party certification of social & environmental commitments.
9	**Developer/implementer – implementing new, social, inclusive or solidarity economy initiatives and business models** The private sector develops and implements a new (inclusive, social, solidary) business model or initiative with particular development relevance.	• Social entrepreneurs developing a profitable sustainable business model that prioritizes both social as well as economic added value. • Businesses aiming to include vulnerable groups in their supply chain.
10	**Participant – in policy dialogue & multi-stakeholder initiatives on development-related issues** The private sector takes part in development related policy dialogue or multi-stakeholder	• Participation in policy dialogue on post-2015 Sustainable Development Goals framework • Join forces with other development actors (e.g. NGO) to lobby for policy reforms regarding social or ecological issues.

	initiatives that aim to influence business and development policy and practice.	• Participation in tripartite negotiations & multi-stakeholder initiatives on decent work • Extractive Industries Transparency Initiative (EITI) • United Nations Global Compact

Source (Vaes and Huyse 2015)

2.2 A small donor perspective

This study takes a small donor perspective. The historic trend as well as the latest ODA estimates (2013 and 2014) place Belgium amongst the small donors of the OECD-DAC member states. Specifically for South Africa Belgium is not a heavy weight either. With its gross disbursements of ODA to South Africa amounting to approximately USD 20 million in 2013, Belgium closes the top 8 of South Africa's donors. However, the distance with Germany, the sixth biggest donor with a budget of US 80 million, France, the second biggest donor with a budget of over USD 350 million and USA, the biggest donor with a budget of over USD 450 million puts the top 6 donors firmly in a different leak. This analysis is about all Belgian ODA combined, and is of course even more pronounced for Flanders as a separate donor. In view of the recent Belgian decision to withdraw from Belgian development cooperation from South Africa, taking this into account has become even more relevant.

Being a small donor entails a constant search for focus and for a catalysing effect: the first as a way to minimize overhead costs (e.g. the costs for the identification, negotiation, start-up, and management of programmes) and the second as a way to have biggest impact with the limited resources available. The latter can translate in a preference to join forces by contributing to larger programmes ran by other donors (which makes it hard to stand out). It can also trigger an aptitude for innovative interventions that aim to cause a ripple effect for beyond the original scope by leveraging additional resources from other actors. And it can result in a bigger emphasis on policy coherence.

This is the backdrop against which Flanders has to develop its position vis-à-vis private sector in development cooperation. It is taken into consideration in this study firstly through the choice of cases: the first two cases – the by Flanders supported Sustainable Enterprise Development Fund and the Danish Business-to-Business instrument – are small donor examples, the third cases explores the South African BBBEE policy as possible leverage. It is also taken into account throughout the analysis of the different cases and the formulation of final reflections.

2.3 Case study protocol

The aim is to dissect the selected cases in order to identify interesting features and lessons learned. The case selection is the result of a participatory process: the selection was oriented by the outcomes of a workshop in which the results of the first research were presented and discussed with the Flanders Department of Foreign Affairs and Flanders Investment & Trade. Participants agreed one Flemish case should be included (e.g. the SEDF). Additionally there was interest in a case that would dig deeper into the policy guidelines that accompany a specific private sector instrument (e.g. the guidelines of the B2B programme). The screening and analysis of the cases is done in five steps.

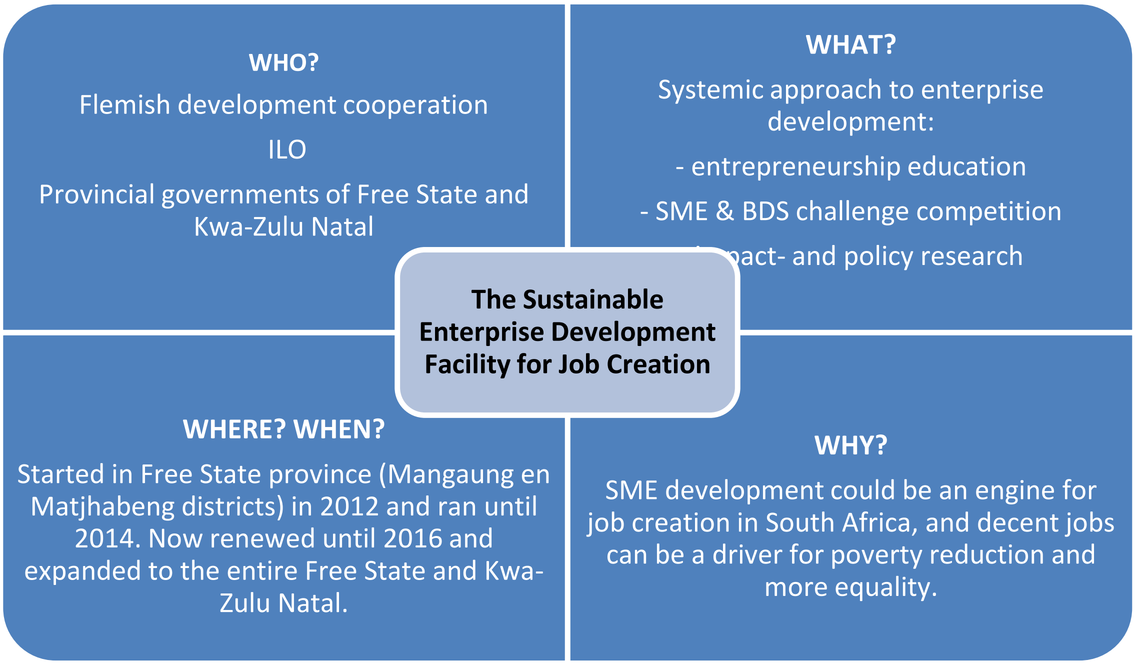
Firstly, the essential facts about the case are identified and presented in the case profile: who is doing what, with whom, where, how and why? This section should give a clear definition of the case at hand, and provide a clear overview of the main actors, activities, objectives and scale. A second step is about mapping the underlying logic that drives the case: what idea exists on how the planned or deployed activities will contribute to the defined objectives and the desired change? Or, put differently, what makes this case 'tick'? The third step is about identifying the different roles that private sector actors are engaged in. Fourthly, the information on the case is screened in order to put striking features into the spotlight by pinpoint three things: promising successes, interesting mistakes, and lurking traps. Looking for promising successes will help to uncover successful courses of action as well as the opportunities they created; interesting mistakes will reveal assumptions that have been proven wrong, unexpected problems and clever as well as failed solutions. Lurking traps will expose unproven assumptions and future challenges. Combined this should build better insights in the lessons a case has to offer. Finally the relevance of the case for the Flemish development cooperation in particular and small donors in general is briefly discussed.

3 | Case 1: SME development through the Sustainable Enterprise Development Fund

3.1 Who does what with whom, why, how and where?

This case features the Sustainable Enterprise Development Facility, a development project financed by the Flemish development cooperation and implemented by the ILO in cooperation with local governments of Free State and Kwa-Zulu Natal provinces in South Africa. The case focuses on the first project period from 2011 to 2014, but also looks at the changed project set-up in the second, ongoing project phase from 2014-2016.

Figure 3.1 Case profile 'SME development'



Source Interviews with Flemish Representation in Pretoria; Interviews with ILO officials; project documents.

Key actors involved are: the Flemish development cooperation, donor of 4.5 million EUR in the first phase (2011-2014) and an additional 3.3 million EUR in the second project phase (2014-2016); the International Labour Organisation as main implementing partner; the Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA) and the Kwazulu-Natal Department of Economic Development, Tourism and Environmental Affairs (EDTEA) (as of 2015), both involved in the implementation of the project and to some extent in the design as well (especially in the second phase).

A difficult start before 2011 led to the reclamation of part of the grant from the main implementing partner at that time, the Free State government. It also triggered the Flemish development cooperation to engage the ILO as main implementing partner, while at the same time still insisting on close cooperation with the local government. Between 2011 and 2014 project activities have been rolled out mostly according to plan. As of 2015 the project entered into its second phase where several changes to its original set-up have been introduced in part due to budgetary reasons and in part to take into account the lessons learned from the first phase.

In the first phase the project covered several activity clusters[1], with key activities being the development and introduction of modular entrepreneurship education flanked by a longitudinal impact study, support to policy research on SME development through the establishment of an SME observatory, and an SME challenge competition complemented with support for business development services. In the second phase, the focus lies on the business challenge.

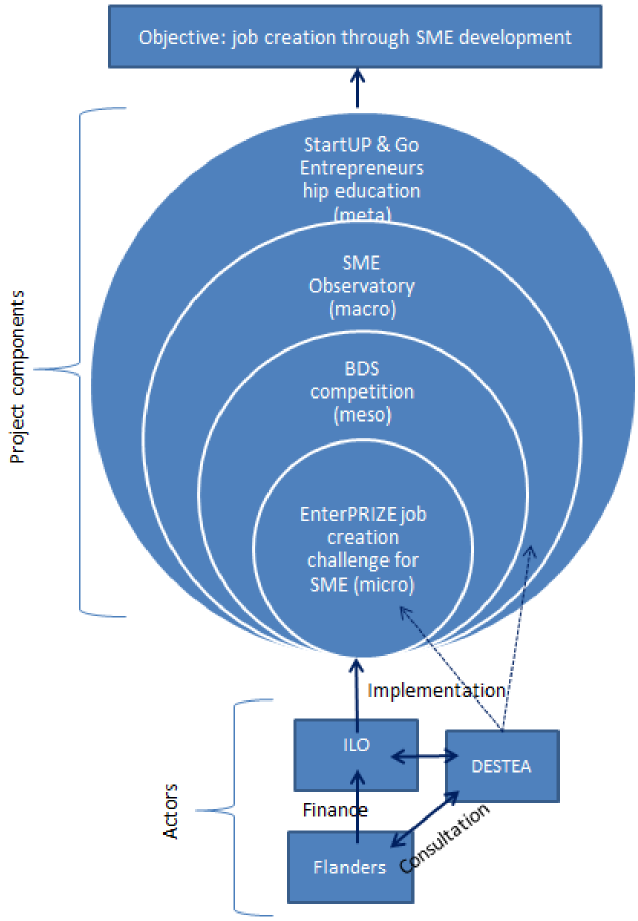
Key **motivation** for this project: Broad-based wealth creation through the promotion of decent work is a policy priority of South African government on national and provincial level. One way to pursue this policy goal is the creation of decent employment opportunities through Small and Medium-scale Enterprises (SME). The project seeks to strengthen the capacity of provincial government and its stakeholders in the private sector and civil society to make these policy priorities actionable, by implementing a range of initiatives in support of SME development (ILO n.d.).

3.2 What makes this case tick?

3.2.1 First phase (2011-2014)

At the core of this project is its systemic approach. It distinguishes between four system levels of intervention (ILO n.d.:12): Meta-level interventions aim at changing mind-sets, value systems and perceptions held by different stakeholder groups (in this case within Free State Province). The macro-level is about the policies, laws and regulations shaping the overall enabling environment. Interventions at this level aim at facilitating a more conducive regulatory framework for doing business. The meso-level is about the institutional context, and interventions at this level aim i.a. at boosting the breadth and depth of local supply with business development services (BDS). At the micro-level the interaction between businesses, BDS providers and clients takes place. On each of these levels obstacles for SME development in South Africa have been identified.

[1] According to the ILO project outline these are: the development of a mass-media based entrepreneurship promotion programme; the introduction of class-room based modular entrepreneurship education; the establishment of an SME observatory that informs policy planning and coordination; the facilitation of a SME policy dialogue mechanism at province level; the alignment of provincial level and municipal level SME policies; the introduction to market of industry-specific financial and non-financial BDS for SME; the establishment of a challenge fund targeting community based organizations; Social business plan/green business plan competitions for entrepreneurs; The development of a performance measurement system to benchmark the initiative against other SME (ILO n.d.).



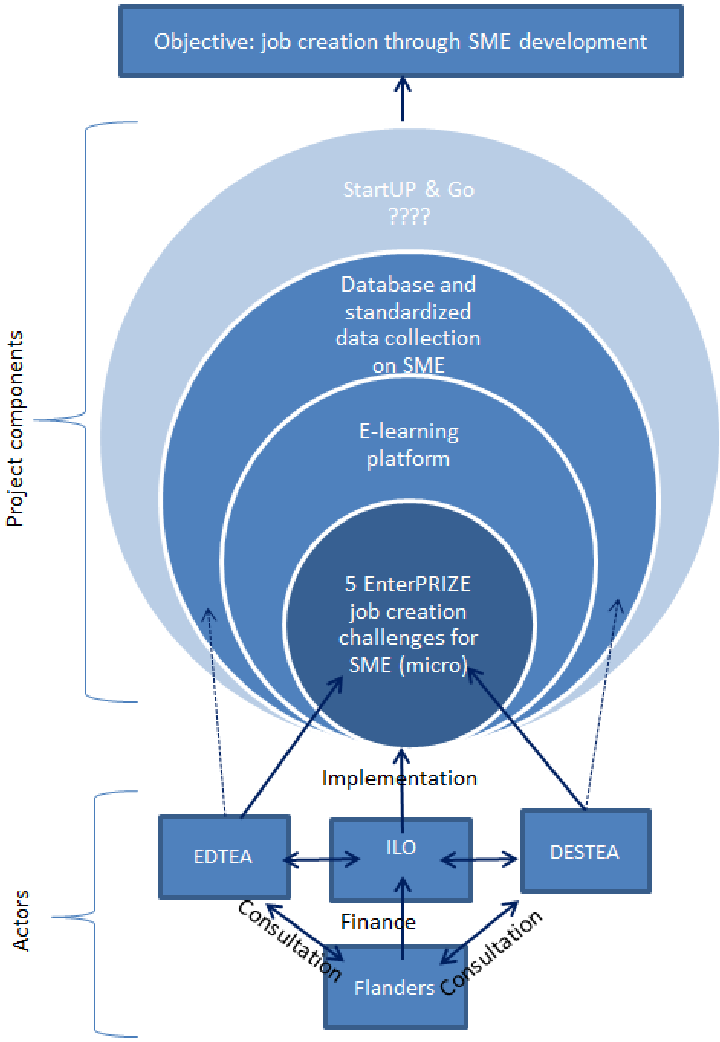
As a result, the first phase project consisted of multiple complementary components, each addressing obstacles to SME development at a different level. At the meta-level, the lack of educational capacity to foster a culture of entrepreneurship and entrepreneurial aspirations amongst South African youth was addressed. In response, the startUP&Go entrepreneurship package was developed, based on experiential learning methodologies such as entrepreneurship games and business simulation exercises. It was implemented in the business studies course in 62 schools across the Free State province over a three-year period (Grade 10 in 2013, Grade 11 in 2014 and Grade 12 in 2015). Simultaneously a quasi-experimental and longitudinal impact study[2] was launched to assess both short-term impact on knowledge and entrepreneurial intentions and long-term impact on labour market outcomes such as employment creation and business start-up (by comparing 5600 learners that received the startUP&Go, with 10.000 learners that never received the module). Also intervening at this level were accompanying awareness raising and information provision activities, such as business days in schools.

One obstacle situated at the macro-level was the unfavourable policy, legal and regulatory framework for the start-up and operations of SMEs. Due to a lack of consultation, coordination, and research, policy making was not informed and evidence-based enough and coherence between the different policy levels (national, provincial, municipal) was low. Apart from attempts to improve multi-stakeholder consultation, the project responded to this obstacle with the establishment of an SME Observatory at the Free State University. The Observatory conducted thirteen studies, amongst which a red-tape study and several sector-specific analyses of needs and possible policy responses regarding SME development in i.a. construction, agriculture, social enterprise, waste.

[2] It will be the first time that the ILO follows such a large cohort of learners over such a long time. First research step was establishing baseline (grade 10 in 2013). Next, a first follow-up survey was done after 10 months, end of 2010, in part to test and improve the study design. Next follow-up study will happen in October 2015. Have entrepreneurship intentions have increased? 10.000 learners (grade 11 in 2010) will be followed as a control group.

On the meso level, a study concluded that the current supply of BDS was a one-size fits all approach with a clear lack of capacity to provide tailored support for (beginning) entrepreneurs. The project launched a challenge fund: BDS providers in 5 different sectors could present a proposal, 25 were selected and received funding to implement their proposal. Monitoring and evaluation showed that the implementation was of very diverse quality. What can also be situated on the meso-level are the interactions with the different actors and institutions involved: although a less prominent features of the project, they contributed to the capacity building of teachers, of the Department of Education, of DESTEA, and other public actors involved in the project.

A final component and the main eye catcher of the project was the enterprise job creation challenge: EnterPRIZE. Established businesses were approached to sponsor the competition by providing financial support (approx. 500.000 R was leveraged) or in-kind support (i.a. financial services, website development, or advertising). This allowed the fund to award a cash prize as well as mentorship and capacity building. SMEs could present their proposal for job creation, and a jury selected winners in different categories. The impact assessment of the first enterprise challenge concluded the competition resulted in 113 jobs created, among 43 winners and runners-up. Although directly intervening at the micro-level, its awareness raising and informative impact also makes it relevant on the meta and macro level.



3.2.2 Second phase (2014-2016)

The successes in the first phase and the resulting government interest and support, led to an expansion of the project to the entire province of Free State and Kwa-Zulu Natal. However, not all tracks to leverage additional finance worked out as expected. As a result, the expansion in fact increased budgetary constraints. Also, lessons learned from the previous project and a new responsible for the project implementation shifted priorities. Going into the second phase, some significant changes have been made to the project design.

Firstly, in the StartUP&Go programme the focus will now be put on building sustainability. Beginning 2015 the continuation of StartUP&Go was still uncertain because the South African government had not confirmed its engagement to guarantee sustainability in the long term, which led to doubts about the added value of completing planned activities such as the teacher training to deliver the module. However, mid-2015 this changed, both at the national and the provincial level, leading ILO to start the development and implementation of a sustainability model for the Start UP&GO (see 3.4.1).

Secondly, since the South African government did not buy into this component and did not want to ensure its long-term sustainability, the SME Observatory will not be continued in the second phase. It has been replaced by a different approach. Instead of maintaining a long-term relation with an academic partner, the focus now lies on the development of a database and standardized data collection on SMEs. The data collection will be continuous: it is integrated in all activities of the project (e.g. always registering SME participants and collecting information on their SME during activities) and government actors. It is considered as an important tool for informed decision making by government actors but also as a tool for monitoring and evaluation of the project activities. However, the project did not outline a clear framework for the analysis of the data. Instead, the idea was to perform targeted, ad hoc data analysis on contract base, but recent developments in the South African Department for Small Business Development may open the door towards a more systemic use (see below)

Thirdly, the BDS component was judged too expensive and not successful enough. It is now being replaced by an e-learning system that will provide (emerging) entrepreneurs with practical information on the different steps a new entrepreneur has to go through. Developing and capacitating BDS providers directly is no longer part of project, although the project will communicate gaps in the BDS provision to the appropriate government actors in order to inform them about the demand for and the need for training of and BDS.

Finally, the EnterPRIZE challenge remains the eye catcher of the project, but in a different form. Instead of an annual competition with a broad scope and different participant categories, it has been redesigned as a set of five mini-challenges each aimed at a specific sector (e.g. catering, design for assistive devices, youth innovation, green recycling, and responsible tourism). Selection of the sectors is being done on the basis of a market analysis and consultation with local government in order to reinforce their activities or support measures in specific sectors. The relation with the private sector has become more comprehensive and layered. The reason for doing sector-specific challenges is in part to allow for a more tailored approach, with support measures adapted to the needs, opportunities and actors in a specific sector. Each challenge this web of support services has to be constructed again: consultation with the local government and identifying how to reinforce and complement their ongoing initiatives, mobilizing private sector players to partake in to organization of the challenges as well as in the follow-up trajectory that guides the participating (upcoming) SMEs to the market, and rolling out a campaign to reach possible candidates and use the challenge as an awareness raising tool.

Each challenge is seen as a new opportunity to involve private sector players. For example, the Youth Innovation Challenge in Kwa-Zulu Natal brings together the Sustainable Enterprise Development Facility (SEDF), with the eThekwini Municipality and IBM. It links up with a 'Hackerton' hosted by IBM, where participants will be capacitated to apply mobile Big Data and Analytics Technologies to develop mobile applications that will address the challenges faced by the city. The winning solutions will be incubated with support of IBM who provides access to their licenced software free of charge for 3 years, to further develop the product, build more market traction and gain sustainability. Following the Hackerton, the participants will be invited to take part in the EnterPRIZE Job Creation Challenge, aimed at helping emerging youth driven technology businesses by offering prizes in the form of financial and non-financial assistance to entrepreneurs who find it difficult to secure conventional commercial funding for start-up or expansion of their ventures. Training will be provided to guide the business plan design process. Another example are the challenges in the catering sector. The catering challenge was supported by the Durban University of Technology Hotel School, Small Enterprise Development Agency (SEDA) and private sector partners, Bidvest, Spar, Tsogo Sun and the Fusion Cooking School. The green recycling challenge will have PETCO, South Africa's main plastic bottles recycler as a partner. Standard Bank got involved in several of the challenges to train participants on financial obligations (pay taxes), tools and services.

3.3 Roles for private sector

As the previous section clearly illustrates, one of the most striking features in this project, in both its phases, is the variety of roles the private sector is playing. Going back to the typology of roles as presented in the previous chapter, this case features private sector in all the roles. However, some are more pronounced than others, and some have been more developed in one phase compared to the other.

	Role of the private sector actor	In the SEDF
1	**Resource provider** - finance	In both project phases private sponsors have raised the prize money for the SME competition.
2	**Resource provider** - expertise and other strategic resources	In both project phases private sponsors have contributed in-kind by providing different types of capacity building (mentorships, business training), services (web-design), access to products (use of licenced software), access to distribution network, etc.
3	**Beneficiary** - enabling environment	In the first phase, the project included efforts to improve the enabling environment through research-based policy support. This has not been maintained in the second phase.
4	**Beneficiary** - capacity development, information provision & knowledge sharing	Emerging SMEs are the core target group of this project. Entrepreneurs/SMEs participating in the challenge competitions are direct beneficiary of capacity development and information provision. Less obvious but equally important: Established business will have improved access to information on emerging SMEs in their value/supply chain thanks to the database (under construction) on SMEs (a feature of the second phase).
5	**Beneficiary** - financial support	Additionally, entrepreneurs/SMEs participating in the challenge competitions are direct beneficiary of financial support through the cash prize.
6	**Beneficiary** – of contracts for implementing aid projects & programmes	In the first phase, private consultants were engaged in the component on business development service providers. In the

		second phase project, data analysis and research will be outsourced.
7	**Target** – of regulation, lobby or advocacy	The emerging private sector can be considered a target of the efforts to guide more businesses to the formal sector.
8	**Reformer** – adapting <u>existing</u> business models through Corporate Social Responsibility, Corporate Social Accountability or Stakeholder Value Maximization	These seem to be a less developed roles in the project. In the first phase of the project, the main criterion for supporting SMEs was job creation, and attention payed to decent work, CSR, or environmental agendas was far less explicit, which suggest limited attention for a reformer role In the second phase of the project these roles might be more present because of the selection of specific sectors that fit with a more sustainable business model (e.g. recycling, sustainable tourism). The involvement of the established businesses is mostly about sponsoring and the project does not explicitly aim for changes in the business models of the established private sector partners. The project did not entail explicit stimulation of 'new' business models.
9	**Developer/implementer** – implementing <u>new</u>, social, inclusive or solidarity economy initiatives and business models	
10	**Participant** – in policy dialogue & multi-stakeholder initiatives on development-related issues	Private sector was present as a participant in the first phase of the project, where multi-stakeholder consultation and research involving private sector actors was still part of the project. So far this is less visible in the second phase.

* The roles of 'reformer' and 'developer' have been discussed together because especially in a project aimed at facilitating and stimulating new entrepreneurs the distinction between both may seem artificial and confusing.

3.4 Striking features

3.4.1 Promising successes

The StartUP & Go program woke quite some interest in the National Department of Education. In its review of the (primary and higher) educational system and of the different approaches to entrepreneurship education, the South African Human Resources Development Council judged the StartUP&Go very favourably, prompting the Ministry of Education to explore whether this approach could be brought to scale in business studies and other courses across South Africa. However, altering curricula is easier said than done. A good way to start such a scaling-up would be by ensuring the necessary follow-up for the ongoing program. At first the government did not make clear commitments in both regards (the sustained commitment to the further implementation of the programme in the Free State province nor the implementation nationwide). This left the ILO in uncertainty about the sustainability of this project component. However, recent events present a more promising outlook.

The provincial government requested the ILO for continued support to work towards the sustainability of Start Up&Go in the Free State province. In response to its letter of request the ILO will now develop and implement a sustainability model for Start Up&Go in the province. This model involves completing the training of the grade 12 teachers and the training of six trainers who will in future ensure the training and support to Start Up&Go teachers. The Provincial Department of Basic Education will also take over the sustainable supply of the Start Up&Go materials and the implementation of impact assessment to verify and quantify the effect of the approach. At the national level, the Department of Basic Education and the Department of Higher Education completed a comprehensive national review of how well entrepreneurship is mainstreamed through the curriculum in order to transfer entrepreneurship competencies to young people for a more successful transition from school to the world of work. Their broad conclusion is that the education system is failing in this regard. In this context the departments have expressed their clear interest in making use of the startUP&Go in the subject Economic and

Management Sciences (grades 7-9) and in business studies, economics and accounting (grades 10-12) nationally. Although still at an early stage, these intentions demonstrate a clear buy-in of the provincial and national government, boding well for the sustainability of the startUP&Go and showing how an initially small but innovative and well-monitored intervention can have an impact transcending its original scope.

The success of the first phase led to a request from the South African government to expand the project to the entire Free State province as well as to Kwa-Zulu Natal. To support this expansion, the South African government matched the project funds with an extra 20 million Rand. The relation with and involvement of Free State government has improved and more high-level officials are becoming involved in public project activities. In Kwa-Zulu Natal, the provincial government is taking ownership from the start, clearly indicating where the project could complement ongoing initiatives and taking part in the implementation and organization of activities. However, a bureaucratic hitch may prevent the financial contribution of the South African government[3].

Key is that both success stories point out buy-in by the South African government. This resonates very well with the project's strategic goal: to address the limited room the current policy and regulatory environment leaves for small business by deploying a model that shows how it can be done, and by triggering government buy-in. Without this underlying strategy the project risks to be successful but with a small and unsustainable impact. It would end up using a very limited budget to create and showcase pockets of excellence, but without reproduction.

On a different plane, the project is succeeding in mobilizing a quite impressive set of established South African and international businesses that all contribute in one way or another: IBM, Nandos, PETCO, Microsoft, Netbank, Standard Bank, Spar, etc. This aspect is even stronger in the second phase, where the sector specific challenges allow for a targeted search for sponsors, and where sponsors often also have something to gain from their involvement (talent spotting, harvesting innovative ideas, broadening their client base, visibility and image building).

3.4.2 Interesting mistakes

The project experienced a false start when the original partner, the provincial government of the Free State (DESTEA) did not implement as planned. Instead of abandoning the project, Flanders negotiated a new partnership with ILO as implementer. However, DESTEA remained involved and it was Flanders' clear intention to gradually increasing this involvement. This change of course was not an evident one: the South African governments at all levels insists on channelling development cooperation themselves and were not happy about the changing configuration, whereas the ILO saw the implementation of the project hindered by the obligation to keep local government in the loop. At different stages in the project this triangular relation was quite troublesome. However, on the long run this partnership model led to considerable capacity development for and buy-in of the government actors involved. This trend was already visible at the end of phase 1, when the provincial government decided to devote extra financial resources, detached 2 senior staff to the project and high level officials started

[3] The money would have to be aid to ILO headquarters in Geneva before reverting to the ILO South Africa budget, which would cause significant unnecessary costs.

participating in the project events. Additionally, the provincial government of Free State increasingly involves or consults ILO in policy processes outside of the project as well, which shows how the relation of trust built through the project has a wider effect.

The first phase of the project included an SME Observatory. Part of the Observatory's work load was a study on entrepreneurship attitudes with the idea of doing a follow-up study after 5 years. It also conducted an impressive amount of sector specific studies and improved insight in the cost of the 'red-tape'[4] hindering SME development in Free State. However, going into the second phase, partners have lost interest in the SME Observatory. DESTEA did not buy into the SME Observatory, and will not provide finance for its continuation. Without an outlook on sustainability, the ILO considers it too expensive to continue. This has several implications. It means the problem of ill-informed decision making with very limited stakeholder consultation will no longer be directly addressed in the project. In the short term an important learning opportunity is lost, because the planned follow-up study on entrepreneurship attitudes will not take place. It would be important to understand why the Observatory did not succeed in reaching its target audience. The fact that the Free State University, still labelled as a 'white' university, was involved may have triggered some animosity.

The first round of the EnterPRIZE challenge had a very broad scope. The upside of this approach was the big number of participants and the high visibility, which may have led to a broader impact regarding awareness raising and capacity building. The downside however was that the support package built around the competition, with the involvement of private sponsor, remained uniform and was not tailored to the specific needs of specific types of SMEs. This lesson learned has been duly taken into account in the second phase of the project, with a focus on sector specific challenges, each with their own set of sponsors, events and prizes. However, this also drives up the organization cost, leaving less room for the other project components.

3.4.3 Lurking traps

The budgetary constraints faced by the project in the second phase and the changed format of the enterprise challenge are changing the design of the project: from a multilevel project with balanced components it seems to become a project that centres on a succession of challenge competitions. This raises different questions. Firstly, how will the project address the systemic obstacles for SME development in the future, with much less attention going to the macro and meso level (policy and regulatory environment; and the BDS providers)? The current project design does offer some leads (introducing a database and standardized approach for data collection and taking the role as whistle blower on what BDS are under-developed) but assumes that this will be enough for the government to take over. This assumption has yet to be proven. However, in a recent development (July 2015), the South African Department of Small Business Development (DSBD) requested the ILO for the integration of the database (in the making) into a national SMME rating agency (to be established in the near future). The agency would use the

[4] Red tape is an idiom that refers to excessive regulation or rigid conformity to formal rules that is considered redundant or bureaucratic and hinders or prevents action or decision-making.

database to feed its analysis of the overall condition of SMME and inform the government's attempts to ensure the necessary access to finance. This shows - again- the potential of triggering government-driven upscaling of a project component. Yet, it remains unclear at this stage to what extent to database information will be used and how broad and encompassing any future analyses will be. Secondly, will learning opportunities built during the first phase be taken advantage of? The first phase of the project laid the foundations for several interesting learning opportunities, for example on the impact of the StartUp&Go program and on the evolution in entrepreneurship attitudes and red tape in Free State. Cashing in on these learning journeys does not seem to be a clear component in the second phase project.

The project may also face a risk of instrumentalisation by the local government as well as by the private sector. The first is becoming more and more involved in the project, but this involvement seems to focus on the challenge competition and the public events related to it. How to make sure that the involvement of local government transcends short-term political ambitions and also goes out to the structural changes needed to boost SME development? The private sector is being involved as a sponsor. No clear guidelines seem to be in use on what private sector to engage with and under which conditions. No clear pathway to guiding these businesses toward revisiting their own business models is set out. This means that the project partners run the risk of getting involved with a private player with a bad corporate track record, which would also harm their own legitimacy and image. It also means the relations with the established private sector are not set in a broader vision on how to make established business more inclusive and sustainable. The challenge competition that is gaining attention and creating opportunities to pull in private sector, is an innovative aspect of this project, but how to avoid that the business centred component in the project 'eats' all the other components?

3.5 Relevance

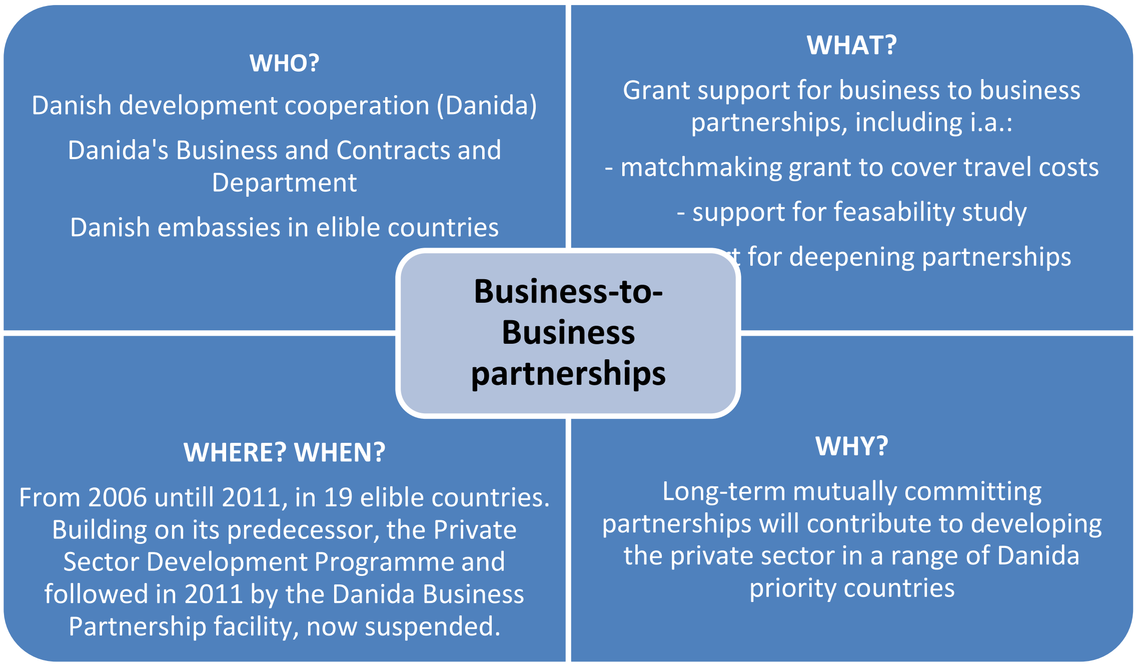
As this case is an ongoing project in the Flemish development cooperation with South Africa it is of direct relevance for the policy reflection on both the role of the private sector in development cooperation and the role of ODA in the cooperation with South Africa post-2016. It should be considered as an interesting learning opportunity on SME development in South Africa and on interacting with the private sector as development actor. In the same line, past and upcoming evaluations of this project and of other projects in the SME development portfolio could offer additional insights in the role Flanders envisions to play in emerging countries such as South Africa. The case also illustrates the challenges and added value of taking a strategic approach targeted at piloting and leveraging, which is of particular interest to a small donor.

4 | Case 2: Business-to-Business (B2B) Programme

4.1 Who does what with whom, why, how and where?

This case features Danida’s Business-to-Business (B2B) programme, which ran from 2006 to 2011 and aimed to facilitate partnerships between Danish enterprises and local enterprises in 19 eligible countries: Bangladesh, Benin, Bhutan, Bolivia, Burkina Faso, China, Egypt, Ghana, Kenya, Mali, Mozambique, Nepal, Nicaragua, South Africa, Tanzania, Uganda, Vietnam, and Zambia. The case study investigates the B2B programme as a whole[5], but pays special attention to the B2B activities in South Africa.

Figure 4.1 **Case profile ‘Business-to-Business partnerships’**



Source (Ministry of Foreign Affairs of Denmark n.d.)

Key actors involved in running the B2B programme were Danida's Business and Contracts and Department, responsible for policy, coordination and guidelines, and the assigned B2B coordinators at the Danish embassies in the eligible countries, who were in charge of the follow-up of the implementation and the administration. The 19 eligible countries were Danida’s programme countries, including Egypt and South Africa. A distinction was made between focus and non-focus countries, with less staff capacity in the latter. South Africa, for example, was a

[5] This is in part due to constraints in available information: most collected data referred to the B2B programme as a whole and data on the specific partnerships with South African counter parts was scarce.

focus country, meaning the embassy was staffed with staff member dedicated to the B2B Programme. In non-focus countries the function of B2B coordinator was not a full time one. Overall the programme required a substantial management input, with over 18 full-time equivalents engaged in the programme.

Danish and local companies were the **key target group**. The entire B2B portfolio from 2006-2011 contained over 445 partnerships with 420 Danish companies[6]. Although the portfolio covered partnerships in a wide range of sectors, some sectors dominated, such as agro-industries & food, information & communication technologies (ICT); and environmental technologies (DEVFIN Advisers AB 2014). Local embassies had the mandate to determine focal sectors as well as specify additional criteria and conditions they would apply in the selection of the candidates.

The B2B programme was designed to provide **grant support of up to 5 million DKK in three different phases** of a partnership: First, in the 'contact phase' aimed at locating and selecting a suitable partner and investigating the possibilities for collaboration, both Danish companies and companies in the B2B eligible countries could apply for matchmaking grants covering travel costs (for up to 90%). An estimated 1300 contact engagements took place. In the second 'pilot phase' partnering companies could apply for a grant to cover (75% - 90%) of the costs related to the start-up of the partnership. This might entail a feasibility study, training activities, study visits, or pilot production. About 445 collaborations were supported in the pilot phase. Approximately 240 of these partnerships and a few additional ones, moved up to the 'project phase'. In the project phase, the partners could apply for support to deepen the partnerships, often by setting up joint ventures. The grant could be used to cover costs related

Box 1: Danida's B2B in South Africa

South Africa was a focus country for the B2B programme, meaning the Danish embassy in Pretoria had a dedicated B2B coordinator to follow-up on all the B2B activities.

As explained in the 2010 policy document 'Partnership for the Future', the focus of B2B in South Africa was put on 'sectors with a substantial development potential and local demand': the climate and energy sector, and the agricultural and environmental sectors (Ministry of Foreign Affairs of Denmark 2010). The B2B portfolio for South Africa does indeed contain projects within these sectors, with some exceptions and with no striking predominance of one specific sector (see also annex 2).

It was also specified that in South Africa, Danida's commercial instruments would be used to work in particular on African youth and increasing decent job opportunities. Consequently, poverty alleviation and Broad Based Black Economic Empowerment (BBBEE) were considered key words when selecting future projects. Additionality was also forward as a condition for approval of funding (Ministry of Foreign Affairs of Denmark 2010).

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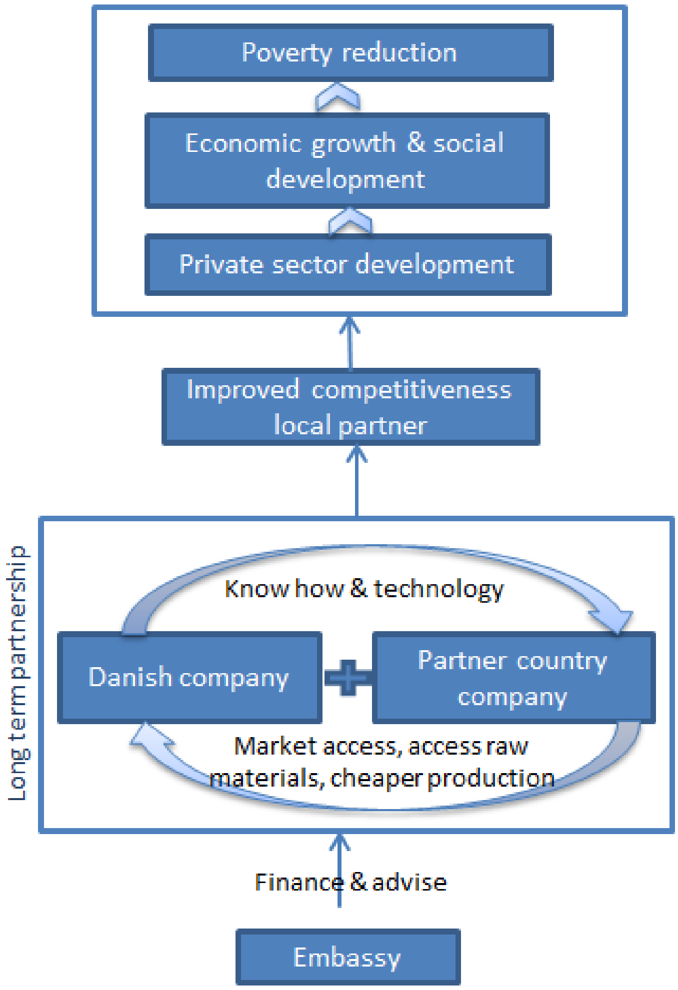
[6] This covers only the activities in the pilot in the project phase, and excludes the contact phase. The contact phase alone involved over 1300 interventions, of which not all led to the actual formalization of a partnership.

to training and technical assistance, equipment, setting up or improving production facilities, further studies and so on. Special attention was payed to the improvement of the working environment and Corporate Social Responsibility (CSR) in the local companies.

In essence the B2B programme was seen as a tool to support local private sector development through the establishment and development of long-term mutually committing, sustainable and commercially viable partnerships between Danish companies and companies in Danida's priority countries, including Egypt and South Africa. In particular technology and knowledge transfer were considered key (Ministry of Foreign Affairs of Denmark 2014). The total approved financial allocation for B2B partnerships in pilot or project phase, for the 19 countries and over the entire period from 2006 to 2011 amounted to 1,088 million DKK (Danida 2014). B2B was in mid-2011 replaced by the Danida Business Partnership facility (DBP), which was however suspended in November 2014 after an evaluation cast strong doubts on the effectiveness of the approach (Danida Business Partnerships 2014).



4.2 What makes this case tick?

4.2.1 Theory of change[7]

At the core of the B2B approach was the idea that a long-term, mutually committing and commercially viable (and thus sustainable) partnership between a Danish company and a company in one of the priority countries would lead to a win-win.

The local company would benefit from the expertise of the Danish company. Through technology transfer and transfer of know-how the partnership would strengthen the company's

[7] Theory of Change defines long-term goals and then maps the necessary preconditions and the types of interventions that bring about the outcomes aimed for.

place in the local, regional and even international market place, leading to an improvement of its competitiveness. Technical assistance and training is therefore considered as the cornerstone of the B2B programme (Ministry of Foreign Affairs of Denmark 2010).

Through the partnership with the local company, the Danish counterpart, on the other hand, may gain market access, access to raw materials and access to cheaper production lines. Finally, the B2B programme would give the Danish development cooperation an instrument “to make use of Danish companies’ competences in development work more effective in promoting sustainable development”(Danida Business Partnerships 2014).

In theory, the B2B programme would catalyse and facilitate this dynamic mostly through the provisions of grants to support the partnership in its different phases. Looking at the practice on the ground however, it becomes clear that the B2B support went far beyond the provision of grants. In practice, the local embassies invested deeply in match making[8] (Siem Lynge 2011, Interview Danish Embassy Pretoria 2014), in the facilitation of the activities undertaken in the framework of the partnership (e.g. advice and support in bureaucratic procedures) or in negotiations and conflict resolution between partners.

Ideally, the 3-step design of the B2B program would lead to a cascade of deepening partnerships: support in the first contact phase would allow companies to start a partnership, which would then, through support in the pilot phase, be developed further, finally leading to a request to support the project phase in which a joint venture was aspired. However, looking back, this effect did not materialize as hoped for. Of the more than 445 supported partnerships, about 205 went only through a pilot phase. About 240 collaborations received project phase support (with or without earlier pilot).

[8] For example through the organization of business trips, study visit, getting to know the partner workshops, pre-investment meetings for Danish companies.

4.2.2 Criteria & conditions

Less clear is how the B2B programme intended to achieve its aspired impact on poverty. Looking at the specific requirements for companies to qualify for B2B support, some additional elements come to light.

Specific requirements and criteria for the applications were spelled out in the guidelines for companies (Ministry of Foreign Affairs of Denmark 2010). Firstly, both Danish and local companies had to comply with specific requirements to establish that they were 'financially sound'. Secondly, the Danish company also had to show that it had the (staff and financial) capacity to invest in the partner, especially through technical training and assistance. A third set of conditions aimed to ensure 'real' partnerships, by excluding local companies with Danish ownership and by requesting proof of commercial sustainability and long-term business perspective. Of particular relevance in this study, are the fourth and fifth set of requirements related respectively to corporate ethics and the partnership activities.

Under the banner of **corporate ethics**, the B2B criteria enforced two issues: respect for human rights and respect for workers' rights. Additionally, the program encouraged applicants to join the UN global compact (see box 2).

When assessing the partnership activities, **additionality and development impact** were stressed. Applicants had to defend and document (Ministry of Foreign Affairs of Denmark 2010):

BOX 3: B2B requirements to the partnership activities

"If the proposed cooperation is deemed to have major negative consequences, if it lacks additionality, or if it does not contribute sufficiently to the country's development, it will be rejected"

"The more the application succeeds in documenting the developmental effects of the proposed cooperation, the more likely it is to be approved"

(Ministry of Foreign Affairs of Denmark 2010)

BOX 2: B2B requirements to corporate ethics

"Companies involved in the B2B Programme must respect **human rights**. All partners must therefore identify and assess human rights issues relevant to their business operations, as set out in the Universal Declaration of Human Rights (UDHR HR), and seek to integrate these rights into their business management. (…) This requires companies to be proactive in order to become aware of, prevent and address any adverse human rights impacts connected with their business activities."

"Additionally, companies must respect ILO's fundamental standards on **worker's rights**. (…) In countries that have not signed the UDHR HR or the ILO conventions and where national law is lacking, companies must enable alternative means for protecting human rights and rights regarding working conditions and terms of employment".

"The B2B Programme encourages companies to join UN's **Global Compact** (…)".

- the additionality of the activities envisioned in the framework of the partnership. The B2B Programme only supported partnerships with funding for activities that would otherwise not have been undertaken.
- the positive impact on the competitiveness of the local partner, for example through the introduction of products, processes, technologies or skills, leading to increase in revenue.
- the increase in employment opportunities (with a focus on youth and women) defined as the creation of 'new decent jobs'
- the improvement of the external environment and the working environment. This referred to the positive impact of new technologies or improved production modes on efficient use of natural resources, waste treatment, occupational health and safety, and to the potential of using the partnership to raise awareness on these issues.
- the promotion of corporate social responsibility. All partnership proposals were to be evaluated for the extent to which they contributed to awareness on HIV/AIDS, equal opportunities for men, women and youth, the promotion of worker's and human rights, and sound business practices.

In summary, the B2B programme did go beyond facilitating partnerships. Several provisions were put in place to orient the applications towards an explicit attention for corporate ethics, development impact and corporate social responsibility[9]. The B2B Programme also had a reporting process for the purpose of appraising proposals for partnerships and monitoring performance of the supported projects. This included application documents drafted by the companies and signed by the embassy, appraisals undertaken by the embassies, quarterly progress reports, project completion reports by the companies (Danida n.d.).

It is important to note that the B2B support was delivered as reimbursement of expenses. This set-up would have allowed for a thorough assessment of the actual impacts of the activities undertaken in the framework of specific partnerships before effecting the actual reimbursement of the costs. However, the publically available information does not indicate such assessments were a common practice in the programme. Part of the usual process however was an audit by an accountant who reviewed the financial-technical aspects of the claimed expenses. Another note with regard to the transparency of the B2B programme: although the supported partnerships in South Africa are listed online, little to no information is available on what they pertained to. This complicates an assessment of their compliance with the theory of change and the criteria, conditions and requirements listed above. For example, a firm rule of B2B was that no production of alcoholic beverages would be supported, yet Royal UniBrew, the Danish leading beer brewing company was a beneficiary of the B2B program, and based on available information there is no way to determine whether this did or did not fit the intention behind B2B.

4.3 Roles of the private sector

In the general design of the B2B, the private sector is attributed several roles, which are listed and illustrated in the table below. Possibly specific partnerships may have had a different set of

[9] These elements have been further strengthened in B2B's successor, the Danish Business Partnership.

roles for the private sector. However, due to the limited transparency on the level of individual partnerships, it is difficult to gain insight in this.

	Role of the private sector actor	In the B2B
1	**Resource provider** - finance	This role is less prominent in the B2B programme: although the B2B programme reimbursed a very significant percentage of the costs (e.g. 90% contact phase, 75% - 90% in the pilot phase), the companies involved had to carry the remainder of the costs themselves.
2	**Resource provider** - expertise and other strategic resources	This was a key role in the B2B programme: the programme aimed at using the competences of Danish companies to build capacity of local companies (through transfer of knowhow and technology) and to support Danish development cooperation.
3	**Beneficiary** - enabling environment	Although B2B did hope to have a positive influence on the overall business environment in the focus countries, it did not have a real impact on this level.
4	**Beneficiary** - capacity development, information provision & knowledge sharing	This was the most visible role for the local companies involved: they were considered as beneficiaries of the expertise, know-how, technology of the Danish company. However, the Danish companies also benefitted in this regard, as they could lean on the services of the embassy to facilitate their search for a partner and their entry into a new market.
5	**Beneficiary** - financial support	The Danish as well as the local companies involved in the partnerships were eligible for reimbursements of costs related to the partnership.
6	**Beneficiary** – of contracts for implementing aid projects & programmes	This was not a visible aspect of the B2B.
7	**Target** – of regulation, lobby or advocacy	The B2B programme had certain requirements pushing applicants, including the local companies in the priority countries, to comply with international regulation regarding human rights and labour rights even if those were not by law obligatory in the country of operation.
8	**Reformer** – adapting existing business models through Corporate Social Responsibility, Corporate Social Accountability or Stakeholder Value Maximization	The B2B programme aimed explicitly at improving CSR in the participating companies. In that sense they attempted to draw the companies involved in a reformer role.
9	**Developer/implementer** – implementing new, social, inclusive or solidarity economy initiatives and business models	Although it might be possible that specific partnerships led to new business models, this was not a tenet in the programme.
10	**Participant** – in policy dialogue & multi-stakeholder initiatives on development-related issues	This was not a visible aspect of the B2B.

Although different roles were touched on by the B2B program, the emphasis was clearly on companies being the beneficiary of financial support, with the aim of facilitating Danish companies to invest strategic resources in partnerships with local companies. This focus makes more sense when placing the B2B programme within Danida's broader toolkit for private sector engagement. The B2B programme and its successor, the Danida Business Partnership (currently suspended) were part of a broader set of instruments the Danish development cooperation uses to interact with and engage business. Through the Danida Business Explorer, Danida provides financial support to Danish companies that want to investigate a specific business opportunity in a developing country, if it has a clear contribution to addressing development needs in the country. A second tool in the toolkit, is the Danida Business Finance, with provides subsidised loans to large infrastructure projects in developing countries. Thirdly, together with the

Investment Fund for Developing Countries (IFU), Danida established an SME facility to promote SME investments in developing countries. Fourthly, companies that are interested in implementation of the Danish development cooperation can explore the contract opportunities with Danida Business Contracts. Finally, promotion of development relevant export is supported through Danida Business Delegations. The Department for Green Growth is the entry-point for companies to Danish development assistance (Ministry of Foreign Affairs of Denmark 2014).

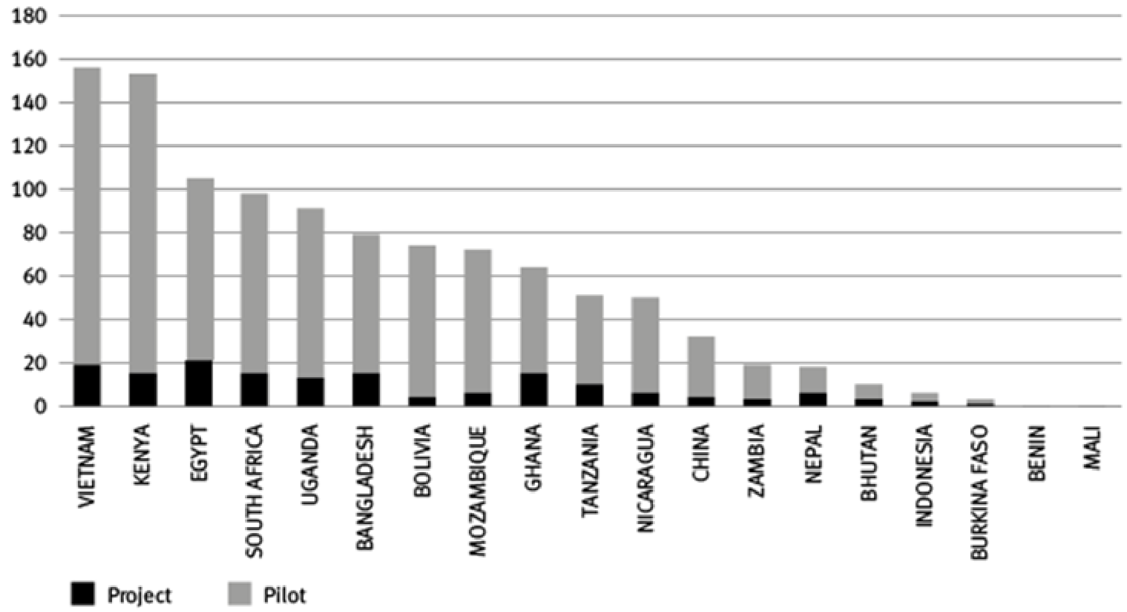
4.4 Striking features

4.4.1 Promising successes

One area in which the B2B programme clearly reached its goal was the transfer of technology and know-how at the micro-level, meaning from one company to another. The format of one-on-one partnerships with intense interaction between the partners, subsidies encouraging a progressive build-up of the partnership and hands-on support from the Danish embassies in every stage of the partnership resulted in well-functioning partnerships that improved company management, productivity, turnover, and in many cases also improved the environmental management and working environment in the local companies. The large scale evaluation performed in 2014 confirmed that the B2B programme was relevant for enabling technology transfer and efficient in matchmaking and stimulating Danish companies to seek partnerships. It also had a clear impact in strengthening local companies as well as inducing learning for Danish SME. A part of this success was attributed to the rather liberal subsidies handed out, as well as to the active promotion of the B2B programme by the embassies and the Confederation of Danish Industries and the Danish Federation or Small and medium Sized Enterprises (DEVFIN Advisers AB 2014).

A second promising aspect could be derived from the observation that “the B2B projects performed equally well in constrained as in conducive business environments” (Danida 2014:6). This is important because it suggests that the approach of the B2B programme also works in a more challenging environment (e.g. fragile states), and could therefore be used to support collaborations in countries were market forces are not already creating substantial FDI flows. The evaluation recommended that, in order to play out this strength, the B2B should be redesigned to promote cooperations in countries where they would really make a difference, and by emphasising the employment generation and development effects more.

Figure 4.2 allocations of B2B partnerships (pilot and project phase) (in DKK million)



Source http://www.netpublikationer.dk/um/14_danida_btb_programme_2006_2011/Html/kap05.html

4.4.2 Interesting mistakes

The logic underlying the B2B programme (see 5.2.1) clearly focuses on fostering the dynamic between the two partnering companies (and thus targets the micro level of individual companies and entrepreneurs). Yet, the overall and immediate objectives of the programme are far more systemic (and situated in fact on the meso and macro level): poverty reduction and strengthening local business development. However, the design of the programme did nog give any clear indication on how to bridge the gap between these two. This weakness has taken its toll: the 2014 evaluation concluded that the programme's contribution to national business enabling environment, employment generation (in the local companies as well as upstream and downstream employment), socio-economic benefits for the local communities and the poverty reduction were negligible.

The lesson learnt is dual. Firstly, it points out the importance of a well-developed theory of change in which clear links exist between the programme's overall objective, immediate objectives, target group and deployed activities. Lack of coherence between those elements may jeopardize the success of the programme. It also shows that the B2B programme would have benefitted from a less narrow focus on the added value for the partnering companies. The potential for effective development impact would have been greater by demanding a clear apprehension of the external context of each of the partnerships, as well as by emphasising external CSR[10] interventions in the business cases. In practice CSR was dealt with quite

[10] A distinction can be made between 'internal' CSR, focuses on improving working conditions for employees (which in most countries is to some extent a legal obligation) versus 'external' CSR which focuses more on the external environment (e.g. protection of national resources) and may in some cases address a strategic element of the business concept.

differently throughout the programme, in part due to the fact that it was at the embassies' discretion to shape and operationalise the guidelines.

Danish embassies have played a very prominent role in the operationalisation and implementation of the B2B programme. In that sense, the programme was far more resource-intensive than the combined budget of the allocated grants would suggest. Embassies were involved in the organisation of business trips for companies looking for a partner, in facilitating the first contacts, in the organisation of technical assistance, in negotiating between partners in good times and bad times, etc. Combined with the liberal grants (up to 90% of the costs the companies made could be reimbursed) and the overall lack of sustainability in the initiated partnerships, this was one of the reasons to question the overall efficiency of the approach. At the same time, however, this additional counselling and support on the ground was deemed necessary to make the partnerships possible and have some 'return on investment' from the grants. This shows the important link between the design of a programme and the institutional capacity necessary to make it work, which in this case was considered 'disproportionate'. The South African B2B also faced an additional challenge: the Danish development cooperation with South Africa is being reoriented and phased out since 2007. The B2B programme was implemented in a context of declining development expertise at the embassy.

A feature that could be seen as a promising success as well as an interesting mistake is the development of a set of requirements, criteria and conditions to assess the eligibility of applicants and appraise applications (see 5.2.2). In fact, few donors have detailed the conditions under which they aim to support private companies to play a role in development cooperation[11]. In this regard, the B2B guidelines offer an interesting example. However, the fact that the 2014 evaluation still indicates the inadequate contribution to development objectives at the same time suggests that this set of requirements, criteria and conditions, or the way it has been implemented, was insufficient. In view of the limited information it is hard to formulate strong conclusion, but it could be that the step from theory (the guidelines for companies) to practice (operationalizing and enforcing them) was not enough considered.

4.4.3 Lurking traps

The B2B programme ran until 2011 after which it has been replaced by an adapted version called the Danish Business Partnership (DBP)[12]. However, in 2014 Danida suspended the DBP. Ongoing partnerships still continue as planned but no new commitments will be given. According to official communication this was due to the "evaluation of a former business-to-business

[11] Sweden and Germany have also developed a more detailed framework for their interaction with the private sector in development cooperation. For example, the German develoPPP demand of all applicants that the "projects must demonstrate a clear development outcome and be both environmentally and socially compatible. A partnership with companies from sensitive business segments (such as arms or drugs) is ruled out."

[12] Some differences were, for example, the multi-partner set-up of the DBP and the strengthened focus on CSR.

programme, which concluded that the effect on job creation and sustainable growth in developing countries has not been sufficient. Furthermore, there has been unclarity with regard to EU rules" (Danida Business Partnerships 2014). The evaluation of the B2B Programme pointed out, amongst other things, that the programme had not been administered according to the EU de minimis regulations. This was also the case for the Danida Business Partnerships programme, the successor to the B2B Programme. Based on a legal opinion, which showed that parts of the financial support under the two programmes could possibly be regarded as state aid, it was decided to suspend the Danida Business Partnerships programme (Personal communication Danida, September 2015). A suspended program may not have to worry about lurking traps, but it may offer lessons that might be helpful for similar programmes, for which the reference to non-compliance with the EU-rules on state aid should raise a red flag.[13]

Another lurking trap for similar approaches is revealed by looking again at the distribution of the B2B partnerships (see figure 5.2). It can be considered a promising success that the B2B approach allows partnerships in difficult as well as conducive environments to perform equally well. The other side of the coin is B2B's failure to facilitate as many partnerships in difficult as well as in conducive environment. The distribution of Danish companies' engagement among the 19 eligible B2B countries varied from no collaborations in Mali and Benin to over 60 in Vietnam[14]. Or, to put it simply, B2B mostly supported partnerships in countries were the challenges are lowest and succeeded far less in convincing Danish business to look for partnerships in countries where they could add most value. Of course, this is not a novel challenge, as many private sector instruments struggle to push private resources towards low income countries or fragile states where the risks our highest.

4.5 Relevance

The case of Denmark's B2B programme is particularly relevant because with this programme (and the bigger private sector toolkit it is part of) Danida was a frontrunner in engaging private sector in development cooperation. The recent evaluation makes Denmark one of the first donors with a large scale and in-depth evaluation of one of its private sector instruments. The fact that the evaluation has led to the suspension of two active private sector instruments suggests this case may present an important learning opportunity for all similar programmes. From the Flemish point of view, the resemblance between the different activities of the B2B programme and the services offered by Flanders Investment and Trade (contribution in the costs

[13] During data collection little additional information on the inconsistency with EU state rules was found. Article 108(3) of the Treaty on the Functioning of the European Union (TFEU) requires state aid to be notified to the European Commission so that it can assess whether the aid is compatible with the common market. However, under Regulation (EC) No 994/98 certain categories of aid can be exempted from the notification requirement. This 'de minimis rule' was introduced in order to exempt small aid amounts. It sets a ceiling below which aid is exempt from the notification requirement laid down in Article 108(3) TFEU. See: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:l26121

[14] In China and Indonesia the B2B programme was only open for environmental projects.

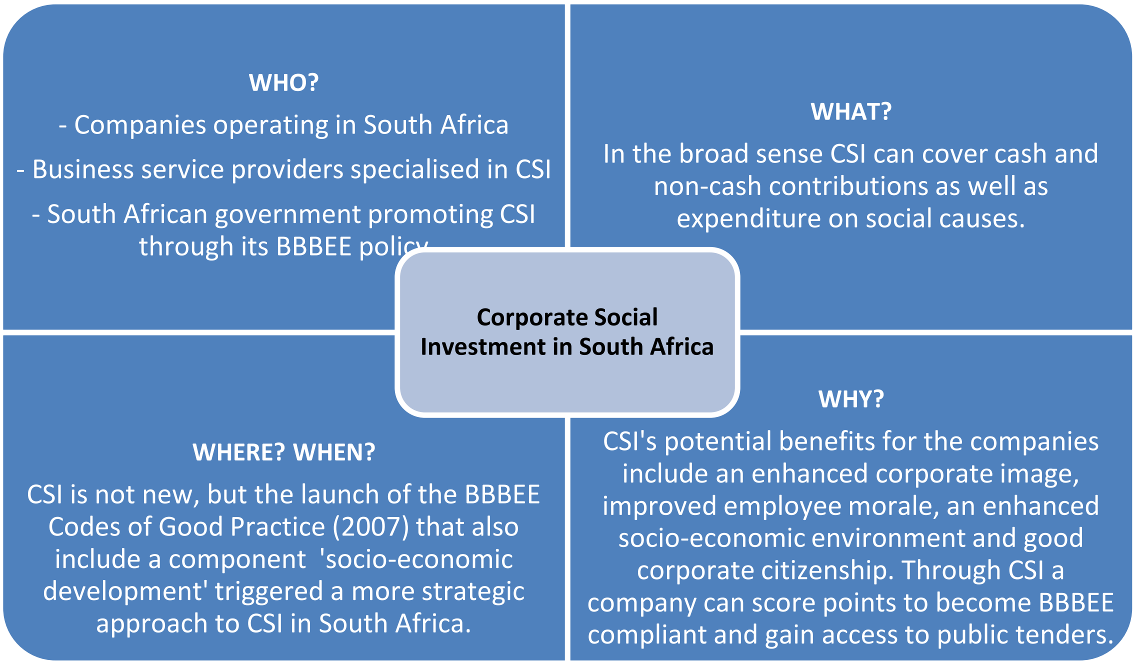
for business trips or prospection, assistance in match making, grants for feasibility studies) supports the relevance of this case.

5 | Case 3: Corporate Social Investment (CSI)

5.1 Who does what with whom, why, how and where?

Core element in this third case is corporate social investment (CSI) in the context of the South African Broad-Based Black Economic Empowerment policy (BBBEE). Unlike the previous two, this case does not dig into a specific project or instrument. Instead it looks at a private resource stream and explores some of the opportunities and risks for development actors who aspire to tap into this resource stream.

Figure 5.1 Case profile 'corporate social investment'



Key actors are the South African government that has put in place the BBBEE policy and government institutions involved in the implementation of the policy; the companies operating in South Africa that generate CSI and that are bound by the BBBEE policy if they want to do business with South African government; and the various intermediaries involved in the management and monitoring and evaluation of CSI funds and strategies, as well as of the BBEE accreditation of companies. Also key, but less zoomed in on in this case study, are the actors on the receiving end of the CSI resource stream, which in many cases are non-profit organisations (NPOs) with a social objective.

This case has two **key elements** – **CSI and BBBEE** – and looks at the synergy between both. Corporate social investment (CSI) can be understood as one expression or one sub-component of corporate social responsibility (CSR). It refers to a company's contributions (in-kind as well as financial) to activities that are external to the normal business activities of a company and not directly aimed at increasing company profit. Instead these activities have a strong developmental approach and utilise company resources to benefit and uplift communities.

CSI has a particular status in South Africa because of the link with the Broad-Based Black Economic Empowerment (BBBEE) policy. The BBBEE policy aims to distribute wealth across a broad a spectrum of previously disadvantaged South African society. Or put differently, the purpose of BBBEE is to address the legacy of racist apartheid policies and enhance the economic participation of Black people in the South African economy. It attempts to do so by introducing Codes of Good Practices in combination with a Scorecard that measures a company's efforts in living up to those Good Practices. Currently, companies can use CSI to score points on their BBBEE Scorecard.

5.2 What makes this case tick?

This case looks specifically at the synergy between the corporate social investment (CSI) on the one hand and the socio-development component of the Broad-Based Black Economic Empowerment policy on the other hand. BBBEE is considered as a driving force behind the mainstreaming of CSI in South African business practice. It is also considered as the trigger for the shift in CSI away from pure charity toward a more strategic approach to development. Underlying both instruments is the idea that, in view of the extreme inequality and social challenges in South Africa, companies cannot merely concentrate on making a profit, but have to acknowledge and embrace their responsibility towards social development.

Following its Broad-based Black Economic Empowerment Act of 2004, the South African government launched BEE Codes of Good Practice[15] and an associated BEE Scorecard in February 2007. Although this policy framework does not explicitly impose legal obligations on firms to comply with BBBEE targets, a firm's BBBEE status is a determinant factor when it comes to its access to public tenders and (in certain sectors like mining and gaming) to licences. For companies who wish to do business with government, BBBEE compliance is

Box 4: Five BBBEE components

The following five elements are taken into account when calculating a firm's BBBEE rating (the weight of each elements is indicated through the maximum amount of points a company can earn with this component):

1. **Ownership control** – 25 points
2. **Management control** – 5 points
3. **Skill development** – 20 points
4. **New enterprise and supplier development** – 40 points
5. **Socio-economic development (SED)** - 5 points

Amounting to a maximum of 118

[15] These are the codes that companies can use in order to evaluate and track their B-BBEE efforts. Specific targets need to be met. The codes help businesses get an accurate rating which they can include in their company profile.

now mandatory. In addition, a number of industry charters bind other companies to align themselves with the Codes (Werksmans Attorneys 2014; Trialogue 2014).

At the start seven elements were taken into account when calculating a firm's BBBEE rating: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development. A reform in 2014 has reduced this to 5 main components (Werksmans Attorneys 2014). These elements reflect the government's efforts to increasing the number of previously disadvantaged communities in the management, ownership and control of businesses; to boost human resource and skills development, to work towards a more representative workforce (in all categories and at all levels); to promote preferential procurement in favour of goods and services with a strong B-BBEE score; and to encourage investment in enterprises that are owned or managed by previously disadvantaged groups.

One of these components is Socio-Economic Development (SED). The inclusion of socio-economic development as one of the transformation criteria on the Scorecard illustrates the government's view that the private sector has a valuable contribution to make to community development. SED has been defined as "*a monetary or non-monetary contribution made to black beneficiaries with the specific aim of facilitating sustainable access to the economy*"(BEE Institute n.d.). In order to gain the maximum points for this component on the BBEEE scorecard (5 out of 118), a company would have to spend 1 percent of net profit after tax (or, alternatively, 0.125 percent of total turnover) on Socio-Economic Development (SED). The above stated definition clearly shows the substantial overlap with CSI, although it is not synonymous with SED.

Box 6: What can count as SED?

- Monetary contributions (grants) or in-kind contributions to which one can attach a value such as stock, services, time of employees, etc.
- If 75% of these contributions go to historically disadvantaged South African. Beneficiaries can be individuals or organisations whose beneficiaries are for at least 75% from previously disadvantaged groups.
- For the purpose of funding activities that improve their sustainable access to the economy.

The difference between SED and CSI is that its specific aim is to create sustainable access to economy. It should therefore be seen not as pure philanthropy but as an economically based activity that has a social outcome, being job creation and sustainable access to economy. CSI is often more an investment in community health and less economically driven as SED. Consequently, investment in SED will be part of a company's CSI but not all CSI will score SED points.

However, even when it doesn't deliver BBBEE points, CSI can still be very relevant for a company, because it can lead to an enhanced corporate image, improved employee morale, an enhanced socio-economic environment and good corporate citizenship. Overall there are quite some incentives for companies to deliver on CSI. Trialogue, South Africa's main CSI tracker gave the following state of play in its 2014 CSI report: The total estimated CSI expenditure in South Africa in 2013/14 was R8.2 billion. This represents a 4% nominal growth from 2013 but a decline of 2% taking inflation into consideration. Just 31 companies accounted for half of the total CSI expenditure. Moral imperative was the greatest driver of social investment (85% of respondents) (Trialogue 2014:36).

5.3 Roles of the private sector

Identifying the different roles that the private actors can play in CSI (within and outside BBBEE) helps to distinguish the different faces of CSI in South Africa. A good starting point is to see BBBEE as well as CSI investments as a business on its own, and not just as an aspect of doing business in South Africa.

	Role of the private sector actor	In BBBEE's CSI
1	**Resource provider** - finance	Through their CSI private companies devote part of their profits to social goals through monetary contributions. This can include grants, discounts.
2	**Resource provider** - expertise and other strategic resources	Companies can do CSI not just through monetary contributions but also through contributions in kind. This can include donation of products, time of employees, transfer of know-how, etc. In fact any kind of contribution to which one can attach a monetary value can be taken into account.
3	**Beneficiary** - enabling environment	No information
4	**Beneficiary** - capacity development, information provision & knowledge sharing	No information
5	**Beneficiary** - financial support	Specific types of companies (those owned and managed by members of a previously disadvantaged community) are beneficiary of BBBEE, although this is mostly through the component on business and supplier development and less so through CSI. However, quite some projects aimed at SMME-development for example do tap into CSI funds.
6	**Beneficiary** – of contracts for implementing aid projects & programmes	There is a wide range of consultancies and rating agencies that has made the development of a BBBEE strategy and the monitoring and verification of BBBEE ratings its core business. Additionally, banks have developed products targeting this resource stream, such as specialised funds for companies that want to outsource the management of their CSI (e.g. Tshikululu fund).
7	**Target** – of regulation, lobby or advocacy	BBBEE Codes and Scorecard are a clear example of a government policy that attempts to shape business practices through regulation. In this case the role of public procurement, which is only open to businesses that are BBBEE compliant, is key.
8	**Reformer** – adapting existing business models through Corporate Social Responsibility, Corporate Social Accountability or Stakeholder Value Maximization	The underlying idea is mostly to push companies toward adapting their business practices by incorporating corporate giving. In that sense, the core aim of CSI is stimulating corporate philanthropy, a very limited interpretation of CSR. However, the most recent reform of the BBBEE Codes, in which additional emphasis is being put on, for example, inclusive value chain development also shows that the

		conceptualisation of CSI is touching more and more on the core business of companies.
9	**Developer/implementer** – implementing new, social, inclusive or solidarity economy initiatives and business models	The consulted information did not contain clear indication of an agenda aimed at stimulating new innovative business models.
10	**Participant** – in policy dialogue & multi-stakeholder initiatives on development-related issues	No information

5.4 Striking features

Analysing and assessing the dynamics of BBBEE, CSI and SED comprehensively and identifying all lessons learned is beyond the scope of this study, however some interesting features can be pointed out.

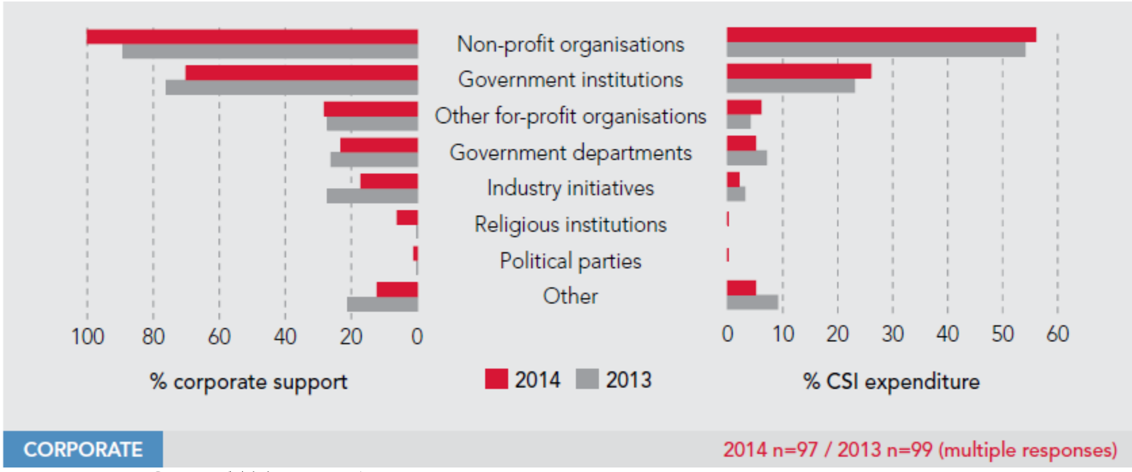
5.4.1 Promising successes

What can be considered as a success is the expanding nature of CSI, partially driven by the BBBEE policy. While companies have been involved in CSI for over a decade, the requirements of the BBBEE Codes and Scorecard have accelerated the process and are triggering a more professional and strategic response to privately financed community development. This is leading to the introduction and promotion of the concept 'strategic CSI'. Core element of the 'strategic CSI' approach is to align CSI activities more closely to the business model and core business. CSI is not only expanding content wise by going beyond charity, it is also becoming a more established element of South African way of doing business. Increasingly not just government actors but also private sector clients require their suppliers to be BBBEE compliant.

Another interesting aspect of CSI is its potential to support the South African civil society. According to Trialogue, corporate respondents showed a clear preference for directing CSI funding through non-profit organisations (NPOs)[16]. In fact, all corporate respondents in Trialogue's survey channelled part of their CSI funding through NPOs during the year. Vice versa CSI funding accounted for the greatest proportion of respondent NPOs' income (22%) (see also figure 5.2). Government institutions were on the second place as recipients.

[16] In the South African context the term NPO should be understood as stated in the following definition of the South African Department on Social Development: "An NPO is defined, in terms of section 1 of the NPO Act, as a trust, company or other association of persons established for a public purpose and of which its income and property are not distributable to its members or office bearers except as reasonable compensation for services rendered. Nongovernmental organisations (NGOs) and community based organisations (CBOs) are collectively known as non-profit organisations (NPOs). In some instance, NPOs are also referred to as Civil Society Organisations (CSO)."
http://www.dsd.gov.za/npo/

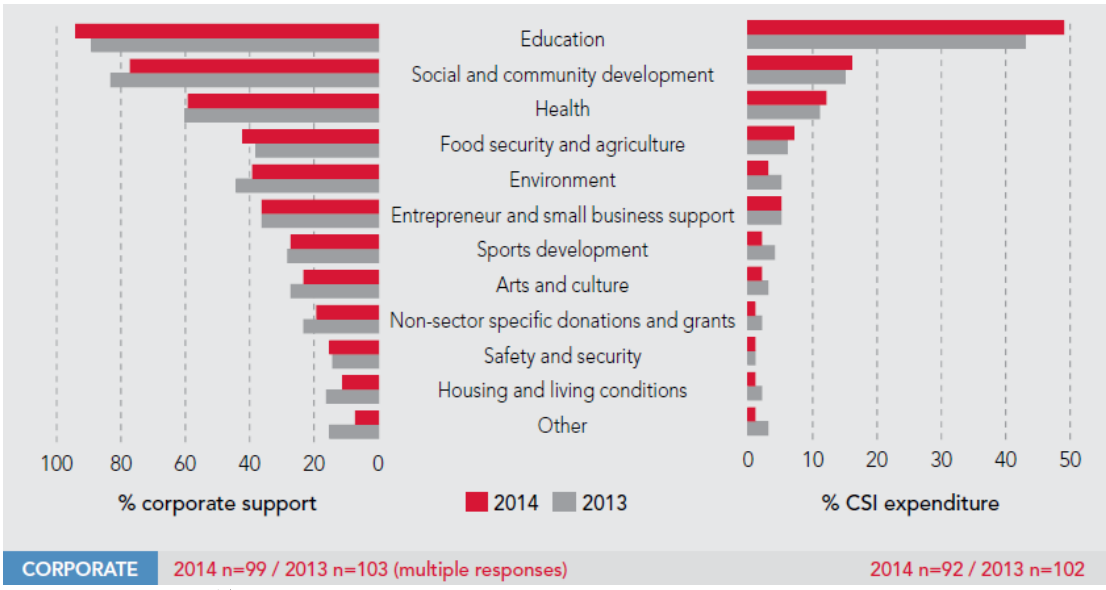
Figure 5.2 NPOs are the most popular funding channel for CSI



Source (Trialogue 2014)

In the light of these trends, CSI is often considered when discussing possible alternatives for ODA provided by external donors. Both CSOs and government initiatives currently already tap into this resource stream (see figure 5.2). However this does not mean that CSI is stable source of finance for all types of civil society organisations. In fact, the distribution of CSI according to sector suggests that the CSOs benefiting from CSI are mostly social services providing CSOs, and less so CSOs involved in, for example, strengthening the accountability of government institutions. Also, as Trialogue's annual survey shows, the amount of CSI might be stagnating. Amounting to a total of 8.5 billion R (roughly 700 million USD) in 2014, it still corresponds to less than half of incoming ODA in South Africa (in 2013) (OECD-DAC).

Figure 5.3 Distribution of CSI by development sector



Source (Trialogue 2014)

5.4.2 Interesting mistakes

There seems to be quite some consensus that CSI in general has been far too philanthropic and too much directed at simple charity causes, thus lacking ambition to have a sustainable and systemic impact. Interviewees describe CSI as “a joke”, “window dressing”, “pure boring philanthropy”, “ticking the box” and “a corporate conscious appeaser”. There clearly are companies that have a different take, but there are also business representatives who still proudly present their project of donating blankets to the local hospital. Although, as has been mentioned above, a more strategic approach to CSI is emerging, this superficial approach clearly remains an issue in CSI today. In the words of one interviewee, the challenge seems to be: how to make CSI about the health system, instead of about clinics, about the education system, instead of about school, etc.

This issue is particularly relevant in the light of the big involvement of the biggest companies. In 2014, 31 of South Africa’s biggest companies accounted for half of the 2014 CSI stream (Trialogue 2014). It seems logical that the strongest shoulders bear the biggest weight, but the question is being raised whether CSI is the best tool to do so. In fact, big companies could have a much bigger impact if they would revise their business model and value and supply chain to make them more inclusive. One example often raised is that of the big chains, such as Shoprite, Checkers or Pick-and-Pay, who have a very firm grip on the retail in South Africa. They also do efforts in the areas of sustainability and community development. While there CSI programmes, for example in the case of Shoprite focused on women empowerment, skills development and hunger relief, might be laudable, working on the labour conditions in their value chains and including small-scale producers in their supply chain would have far bigger impact. This shows why CSI is still considered an “add on” in most cases. In line with this, several interviewees also critique the risk aversive attitude of CSI. Although some attempts are being made, CSI is not easily directed at the development, experimenting, and piloting of innovative approaches to address certain development challenges.

5.4.3 Lurking traps

Without an in-depth assessment it is hard to pin-point the most dangerous traps ahead. However, from the different interviews and discussion several warnings could be distilled. Firstly, the ‘buzz’ around CSI seems unmerited in the light of the current scale and the uncoordinated and often superficial use of these resources. It therefore seems important for development actors to remain informed about the actual size and distribution of the CSI budgets in order to assess to what extent CSI is or could be directed toward sustainable development. This weakness also opens possibilities for development actors, as they could maintain a critical attitude toward CSI and could try to play a role in accelerating the reorientation of CSI.

Secondly, the government push for BBBEE compliance has resulted in the emergence of a range of business service providers involved in strategizing, managing, monitoring and verifying BBBEE efforts, including those related to SED. At the same time, impact investors and funds and agencies involved in harnessing impact investment are also active in this domain. Although the contribution to development may have a place in their vision, business model and practices, they often do not work within nor have clear expertise on the framework in which bilateral donor agencies operate. Issues such as additionality, development impact, transparency, and accountability are often not understood in the same way as they are being defined in development policy and development cooperation instruments, and they are not guaranteed.

Still, these actors are important intermediaries and may prove to be instrumental in redirected CSI.

5.5 Relevance

This case is not about a ready-to-use tool, but about an evolving resource stream in the South African corporate/developmental landscape. It is relevant for a number of reasons. Firstly, as an interesting example of how the synergy between government policy and a corporate tool is slowly instilling a broader corporate social responsibility in South African business practices. Depending on how the shift towards more strategic CSI will progress, this could become a driver of bigger and more diverse involvement of private sector in development.

Secondly, it is relevant because the BBBEE policy does not only affect South African companies. Any company that wants to do business in South Africa with government departments, public entities or enterprises, or with companies who supply goods and services to them, will be asked to provide its B-BBEE status[17]. As the distribution of the points across the different domains may have showed, most points can be earned on components that are less feasible for foreign companies (such as including previously disadvantaged groups in the management, ownership and control of the company). This also means that the remaining components, such as skills development, small-business development and socio-economic development (SED), become more important. However, even more than local companies, foreign companies may lack insight in the BBBEE requirements and the South African development challenges, as well as the connections and expertise to develop and implement a strategic approach to efforts in these domains. In that case they can call upon one of the consultancies to outsource this. This raises the question whether there is no way for bilateral donors active in South Africa to harness these efforts of their companies in order to direct them towards a systemic approach that can contribute to development in a sustainable and inclusive sense (Uk Institute of Export 2015). This question is relevant for Flanders as well. With the Flanders Investment & Trade (FIT) representation in Johannesburg Flemish companies have a clear anchor point for exploring business opportunities in South Africa, but what FIT can't offer them is expertise on how to score BBBEE points in a responsible way. There may be a potential for more synergy, with Flemish companies supporting Flemish development cooperation and benefitting from Flemish development expertise.

[17] If the annual revenue is likely to exceed R5 million

6 | Three things a (small) donor can learn

The case studies have given us a snapshot of a specific project, instrument or resource stream that is experimenting with the role of the private sector in development. They are both too diverse and too momentarily to distil general recommendations on how to shape and operationalize the future interaction between a small donor's development cooperation and the private sector. One specific lesson learned on SME development, B2B partnerships and CSI have been discussed in the case study sections. However, they do also offer some interesting take-away lessons on private sector engagement in development cooperation.

1.

Being the spark that lights the fire? It is no easy task to address systemic obstacles with small budgets. The case on SME development through the Sustainable Enterprise Development Facility shows that even if the budgets are too small to change the entire system, they can be big enough to showcase how it can be done. With targeted interventions at different levels, the SEDF project is having a ripple effect on entrepreneurship education, facilities for SME start-up and policy makers' interest in SME development. This effect has been reached by devoting a limited budget to concept development, piloting and the creation of pockets of excellence. Looking ahead, further buy-in from stakeholders to copy, continue and scale-up will make or break success. In that sense, although difficult at times, efforts to engage local government have proven an important success factor.

As one interviewee said: "It is the role of ODA to be the spark that lights the fire". This lesson has a truth in many different settings, but seems especially apt in the context of the growing emphasis on the potential of mobilizing private resources for development. The idea of leveraging private resources (the fire) through targeted ODA supported interventions (the spark) is a central argument in the case for spending public funds in ways that benefit private actors. However, this may also mean that if it takes more than a spark to light this fire, something is wrong with the assumption that the private sector houses resources that can be leveraged for the purpose of sustainable development. In interactions with private sector aimed at being a catalyst for mobilizing private resources, it will be important to trace the actual leveraging effect, both for accountability and learning purposes.

2.

Bad time for short-term thinking? All three cases offer lessons learned through the mistakes that have been made, the smart solutions that have been employed and the experiments that have become success stories. The big BUT is that it took time, research and reflection to discern these lessons. Changing youth aspirations regarding entrepreneurship, changing entrepreneurs' attitudes regarding corporate social responsibility, and changing the environment in which both have to operate is no small matter. However, the case on SME development also shows how short project durations and project reorientations in part driven by the search for a quicker win, may cause important learning opportunities to be left unused.

If donors are serious about harvesting the potential of the private sector to contribute to sustainable development, they will have to invest in uncovering what works and what doesn't. With a first generation of evaluations on private sector tools in the making, this can be done by investigating how specific approaches have turned out elsewhere. But also in each programme monitoring and evaluation will remain crucial.

3.

Are conditions, criteria and requirements scratching the surface? Each of the cases has in some way or another illustrated the difficulty of actually targeting the 'right' private actors and pushing them to systemic change. This challenge has two levels. First there is the issue of selecting what Sweden and Germany call 'like-minded' private sector actors and avoiding private players that will accept the public ODA funds but without actually contributing to development. Denmark, Sweden and Germany have formulated conditions and requirements for private sector partners. However, as the B2B programme illustrated, operationalisation, control and enforcement will need to be equally developed in order for guidelines to have a real effect. This makes it necessary to develop a framework of criteria, conditions and requirements, and 'no-go's' for the interaction with private actors, but also to investigate how independent control of compliance should be arranged and how to act in case of non-compliance. At the same time it will be hard to communicate such a framework in a sexy way to private players that often already consider development cooperation as a heavily bureaucratized policy domain.

The second level is about the kind of private sector engagements one hopes to trigger. Having private companies contribute (financially or otherwise) is one thing, having them fundamentally changing their business practices is another. If the private sector agenda on the rise in current development policy gets stuck in the first, this will be a huge missed opportunity.

- APPENDICES -

appendix 1 Overview of data collection

Table 7.1 List of people & institutions who contributed to the research

Who?	Organisation	When?	How?
David Maenaut	General Representative of the Government of Flanders to South Africa (until August 2014)	June 2014	Interview
Katrien Dejongh	Attaché Development Cooperation South Africa, Flemish Government	June 2014	Interview,
Nikolas Bosscher	Attaché Development Cooperation Malawi, Flemish Government	September 2014	Interview (phone)
Patrick De Bouck	Head of Development Cooperation at Belgian Embassy in South Africa	June 2014	Interview
Stephen Miller	Country Director at Trias ngo South Africa	June 2014	Interview
Tim Kos	Senior Policy Officer Economic Affairs at Embassy of the Kingdom of the Netherlands Pretoria	June 2014	Interview
Deirde Van Rooyen	Acting Director at Centre for Development Support (CDS), University of Free State, South Africa	June 2014	Interview
David Uwah	Deputy Chairperson at Black Management Forum	June 2014	Interview
Kerryn Krige	Programme Manager Network for Social Entrepreneurs, Gordon Institute of Business Science (GIBS)	June 2014	Interview
Lieve Dillen	Policy Advisor International Policies Government of Flanders, Environment, Nature and Energy Dept, International Policy Division	August 2014	Interview
Johan Malin	Project Manager International Organisations at Flanders Investment & Trade	October 2014	Interview
Caroline Ampe	Chief Executive Office at Flanders Investment & Trade	October 2014	Interview
Flemish partners	Foundation for Human Rights; IDC; Trias; Parliament Monitoring Group; SEED South Africa UNEP; ILO; Bertha Centre; Environmentary Monitoring Group; Gordon Institute of Business Science (GIBS)	3 March 2015	Round table organised by IV Pretoria

Knowledge centres & external stakeholders	Impact amplifier; GIBS; University of Johannesburg; National Planning Commission; NEPAD Business Foundation; Institute for Security Studies	3 March 2015	Round table organised by IV Pretoria and facilitated by GIBS
Christophe Larose	Head of Section Social Sectors and Governance, European Union delegation to South Africa	4 March 2015	Informal exchange with Flemish delegation
Bart van Uythem	Head of Economic and Infrastructure Sector, European Union delegation to South Africa		
Tineke Mulder	Head Economic Affairs, Embassy of the Kingdom of the Netherlands Pretoria	4 March 2015	Informal exchange with Flemish delegation
Tim Kos	Senior Policy Officer Economic Affairs, Embassy of the Kingdom of the Netherlands Pretoria		
Pascal Fröhlicher	Impact Amplifier	17 March 2015	Exchange with IV Pretoria
Vic van Vuuren	Director, ILO Pretoria Office	18 March 2015	Interview
Development cooperation officers from different EU member states	Development cooperation of Slovakia, Finland, Sweden, EU, Germany, Belgium, UK, France, Italy	19 March 2015	Scoping presentation at EU DEVCO meeting
Jeppe Hallencreutz-Fogtmann	Counsellor Head of Political-economic Affairs and Press & Culture, Political-Economic Team, Embassy of Denmark in Pretoria	19 March 2015 June-July 2015	Interview, e-mail communication
Joni Musabayana	Deputy Director ILO Pretoria Office	23 March 2015	Interview
Jens Dyring Christensen	Enterprise Development Specialist, ILO Pretoria Office	23 March 2015	Interview
Valerie Flanagan	Chief Technical Advisor, Free State SME Development Project, ILO	24 March 2015	Interview
Katrien Dejongh	Attaché Development Cooperation South Africa, Flemish Government	20 March 2015	Interview
Geraldine Reymenants	General Representative of the Government of Flanders to South Africa	20 March 2015	Interview

appendix 2 List of B2B partnerships in South Africa

Table 7.22 List of B2B partnerships between Danish companies and companies based in South Africa (2006-2011)

Year	Danish partner	Local partner	B2B Support (DKK)	Sector
2006	Pressalit Care/ Guldmann	Jessen Dakile	4.715.893	Equipment for people with limited mobility
2007	Danverde	New Plant Nursery	4.993.508	Ornamental Floriculture And Nursery Products
2007	Hummel International	SAFA	3.271.803	Sportswear company
2007	Enviscan	Ninham Shand	4.306.706	Consulting engineering company within the areas of energy, environment and carbon for industrial lines of businesses
2008	Consia Consulting ApS	Africon Engineering International (Pty) Ltd	4.039.707	International consulting company, core sectors: Road Safety & Accident Prevention, Roads & Highways, Micro-finance, Institutional Development, Environmental Assistance and Education & Training
2008	Thinggaard Holding A/S	Bethelsdorp Investment Holding (Pty) Ltd.	4.993.752	Management Consulting
2009	Advance Nonwoven	Ndlambe Natural Industrial Products (Pty) Ltd - Brits (Pty) Ltd	5.011.953	Develop, build and participate in operating manufacturing lines for sustainable nonwoven products
2009	Fibertex A/S	Safyr (Pty)	4.959.606	Fibertex Nonwovens is a diversified supplier of nonwovens
2009	Royal Unibrew A/S	Oasis Liquor	2.750.165	Second largest brewery group in Denmark
2010	Develco A/S	National Power Contrators	4.987.397	Development company in electronics and embedded software
2010	Danish Management Group A/S	Strategic Environmental Focus (Pty) Ltd	5.065.573	Danish consulting and planning firm located in Denmark, Malaysia, Thailand and Bangladesh
2010	Energi Denmark A/S	Netgroup South Africa (Pty) Ltd.	4.964.752	Energy trading in Denmark, and market participant in the trading of oil and gas products.
2010	Nr Holmgaard ApS	Dreamland Farming	4.947.364	/
2010	Bjerre Fisk	Vaalharts catfish Enterprise	4.554.294	Fishing, production and distribution
2011	Larsen	Planet Wise	3.496.387	/
2011	Medac	Eto Garments	4.947.034	Pharmaceutical company
2011	Møllerup Gods	Hermit Mushrooms	3.196.054	Horeca

Source (Ministry of Foreign Affairs of Denmark n.d.)

Table 7.3 List of conditions, requirements, and criteria used in Danida's B2B programme

	Party	Criteria/conditions	Means of proof
Are applicants financially sound?	Local company	Legal registration and domicile in the B2B country	Business licence and annual accounts
		Substantial local ownership and/or management	
		Experience in the field of business	
		Positive economic results	
		The local company must have sufficient resources and capacity to finance and invest in a partnership project	
	Danish company	Audited company accounts must show a	Pre-tax profit in at least two of the preceding three years.
		The equity must make up at least 15% of the balance-sheet total.	Audited accounts for the accounting period most recently completed
		Company must be credible and creditworthy	Not listed with "RKI Kredit Information A/S" as a bad debtor. Have operated a business in the field covered by the cooperation for at least five years. Exemptions can be made for emerging industries.
Capacity to invest?	Danish company	Company must be of a considerable size to ensure that the necessary professional expertise to carry out training and technical assistance is found in-house.	Size, and number of permanent employees
		One-man companies EXCLUDED	
Potential for real, long-term partnership?	Local company	Subsidiaries of Danish companies located in B2B countries, or any other company construction involving Danish ownership EXCLUDED	
	Both	Long-term business perspective, commercially interesting partnership to both partners	
Corporate ethics	Both companies	Respect for human rights, companies must take proactive approach to become aware of, prevent and address any adverse human rights impacts connected with their business activities.	The applications
		Respect for workers' rights	
		Encouraged to join UN Global Compact	
Development impact	The partnership	Production of alcoholic beverages (including beer), tobacco and weapons EXCLUDED from support	
		Additionality	Explanation and demonstration in the application document
		Improved competitiveness of local partners	

		Increased employment opportunities for youth and women	The applicant companies must address the development impact criteria in their application
		Improvement in external and working environment	
		Promotion of CSR (regarding HIV/AIDS, sound business practices, equal opportunities and workers' and human rights)	

Source (Ministry of Foreign Affairs of Denmark 2010; Danida n.d.; Ministry of Foreign Affairs of Denmark n.d.; DEVFIN Advisers AB 2014)

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ENGLISH

The Leuven Centre for Global Governance Studies coordinates a Policy Research Centre on "Foreign Affairs, International Entrepreneurship and Development Cooperation" for the Flemish Government. A Policy Support Centre aims to scientifically support Flemish regional policies. The project brings together 17 senior and 10 junior researchers (including eight PhD students).

The Centre conducts (a) data collection and analysis, and provides (b) short-term policy supporting research, (c) fundamental scientific research and (d) scientific services.

The Policy Research Centre is based on an inter-university consortium led by the Leuven Centre for Global Governance Studies (www.globalgovernancestudies.eu) in cooperation with the Antwerp Centre for Institutions and Multilevel Politics, the Vlerick Leuven Gent Management School and the H.U.Brussel. Within the KU Leuven, colleagues from the Faculty of Business and Economics, the HIVA - Research Institute for Work and Society, the Institute for International and European Policy, the Research Unit International and Foreign Law, the Institute for International Law, and the Institute for European Law are also involved in the project.

Research is structured in four thematic pillars: (i) International and European Law; (ii) International and European Policy; (iii) International Entrepreneurship; and (iv) Development Cooperation.

For more information, see our website: www.steunpuntiv.eu

NEDERLANDS

Het Leuven Centre for Global Governance Studies (www.globalgovernancestudies.eu) coördineert de derde generatie van het Steunpunt “Buitenlands beleid, internationaal ondernemen en ontwikkelingssamenwerking” voor de Vlaamse Regering. Een Steunpunt heeft als doel de wetenschappelijke ondersteuning van Vlaams beleid.

Het project brengt 17 promotoren en 10 junior onderzoekers (waarvan acht doctoraatsstudenten) samen. Het Steunpunt doet aan (a) dataverzameling en -analyse, (b) korte termijn beleidsondersteunend wetenschappelijk onderzoek, (c) fundamenteel wetenschappelijk onderzoek en (d) wetenschappelijke dienstverlening.

We werken samen met een aantal partners: het Antwerp Centre for Institutions and Multilevel Politics, de Vlerick Leuven Gent Management School en H.U.Brussel. Binnen de KU Leuven maken ook collega’s verbonden aan de Faculteit Economie, het Instituut voor Internationaal en Europees Beleid, de Onderzoekseenheid Internationaal en Buitenlands Recht, het Instituut voor Internationaal Recht, het Instituut voor Europees Recht en HIVA - Onderzoeksinstituut voor Arbeid en Samenleving deel uit van het project.

Het onderzoek is verdeeld over vier thematische pijlers: (i) Internationaal en Europees Recht; (ii) Internationaal en Europees Beleid; (iii) Internationaal Ondernemen; en (iv) Ontwikkelingssamenwerking.

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